Rowlett
TEXAS

Fiscal Year Ended September 30

2016 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Rebuild
Rowlett
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CITY OF ROWLETT, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Prepared by

Department of Financial Services

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CITY OF ROWLETT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION (Unaudited)	
Letter of Transmittal	i
Organization Chart	viii
List of Principal Officials	ix
Location Map	x
Certificate of Achievement for Excellence in Financial Reporting	xi
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27
Fiduciary Fund Financial Statements	
Statement of Net Position – Fiduciary Funds	29
Statement of Revenues, Expenses, and Changes in Fund Net Position – Fiduciary Funds	30
Notes to the Basic Financial Statements	31
Required Supplementary Information (Unaudited)	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund	71
Schedule of Changes in Net Pension Liability and Related Ratios – TMRS	72
Schedule of Contributions – TMRS	73
Notes to Required Supplementary Information	74
Other Supplementary Information	
Budgetary Comparison Schedule – Debt Service Fund	75
Nonmajor Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	79

CITY OF ROWLETT, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS - (continued)

	Page
Budgetary Comparison Schedules	
Impact Fees Fund	81
Police Seizure Fund	82
Traffic Safety Fund	83
Court Fees Fund	84
Grant Fund	85
Tax Increment Financing Fund	86
Disaster Fund	87
Public Improvement District Fund	88
Other Special Revenue Fund	89
STATISTICAL SECTION (Unaudited)	
Net Position – Table 1	91
Changes in Net Position – Table 2	93
Fund Balances, Governmental Funds – Table 3	95
Changes in Fund Balances, Governmental Funds – Table 4	97
General Governmental Tax Revenue by Source – Table 5	99
Assessed Value and Estimated Actual Value of Taxable Property – Table 6	100
Property Tax Rates – All Direct and Overlapping Governments – Table 7	101
Principal Property Taxpayers – Table 8	103
Property Tax levies and Collections – Table 9	104
Ratio of Outstanding Debt by Type – Table 10	105
Ratio of General Bonded Debt Outstanding – Table 11	107
Computation of Direct and Overlapping Debt – Table 12	108
Computation of Legal Debt Margin – Table 13	109
Schedule of Revenue Bond Coverage – Water & Sewer Bonds – Table 14	110
Demographic and Economic Statistics – Table 15	111
Principal Employers – Table 16	112
Full-Time Equivalent Employees by Function/Fund – Table 17	113
Operating Indicators by Function / Program – Table 18	115
Capital Asset Statistics by Function / Program – Table 19	117
SINGLE AUDIT REPORTS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	119
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance in Accordance with Uniform Guidance	121
Schedule of Expenditures of Federal Awards	123
Notes to Schedule of Expenditures of Federal Awards	124
Summary of Findings and Questioned Costs	125
Schedule of Prior Year Findings	126

INTRODUCTORY SECTION

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Mayor ~ Todd Gottel
Mayor Pro Tem ~ Tammy Dana-Bashian
Deputy Mayor Pro Tem ~ Rick Sheffield
City Council ~
Robbert van Bloemendaal
Bruce Hargrave
Debby Bobbitt
Martha Brown

City Manager ~ Brian Funderburk

City of Rowlett
4000 Main Street
Rowlett, TX 75088

Phone ~ **972.412.6100**
Fax ~ **972.412.6118**
www.rowlett.com

A unique community where families enjoy life and feel at home

February 9, 2017

To the Honorable Mayor, City Council, and Citizens of the City of Rowlett, Texas:

The Department of Finance Services and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the City of Rowlett, Texas for the year ended September 30, 2016.

The purpose of the report is to provide the City Council, City staff, Rowlett citizens, bond holders, and other interested parties with detailed information reflecting the financial condition and activities of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with City management. We assert that the data, as presented, is accurate in all material respects and is organized in a manner which fairly presents the financial position and results of operations of the City.

City management is responsible for developing a comprehensive framework of internal control to provide reasonable, rather than absolute, assurance that the assets of the City are protected from loss, theft or misuse, and for the reliability of financial records relied upon when preparing the financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of the control should not outweigh the benefits likely to be derived and that the evaluation of cost and benefit require estimates and judgements by management.

Weaver and Tidwell, L.L.P., an independent firm of certified public accountants, has issued an unmodified ("clean") opinion on the City of Rowlett's financial statements for the year ended September 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A and this letter are complimentary and should be read together.

Profile of the Government

The City of Rowlett is located 20 miles northeast of Dallas. Surrounded by more than 31 miles of shoreline on beautiful Lake Ray Hubbard, Rowlett is poised to capitalize on a remarkable community transformation, driven by the completion of the President George Bush Turnpike and the arrival of the DART "Blue Line" Light Rail Extension. Once a small farming community, the City has doubled in population over the past twenty years. It currently occupies 20.8 square miles and was the hometown choice to an estimated population of 60,236 for fiscal year 2016.

Rowlett voters approved a home rule charter in 1979 establishing a Council-Manager form of government, and empowering the City Council to levy a property tax on both real and personal property located within its boundaries. Under the Council-Manager form of government the Mayor and the City Council establish policy and law, and the City Manager handles the day-to-day management of the City organization. As a representative system all power is concentrated in the elected City Council, and the Council then hires a professionally trained manager to oversee the delivery of public services. This system combines the strong political leadership of elected officials in the form of a council with the managerial experience of an appointed local government manager.

The City Council is elected at-large representing all residents within the City limits. The Mayor and six Council members serve staggered three year terms creating a three-year cycle. The mayor and three Council positions are filled in one cycle, three Council positions are selected in the second cycle, and there is no election in the third cycle.

The City Manager is appointed by the City Council, and serves as the Chief Executive Officer of the city government. The City Manager is responsible for implementing the policy direction of the City Council in an efficient, effective, responsive, and responsible manner.

A full range of services is provided by the City. These services include general administration, police and fire protection, library services, recreational services, parks maintenance, public works and public utilities. Public works provides construction and maintenance of roadways and infrastructure, while public utilities provides water distribution, sewer collection, drainage, and sanitation services. Sewage treatment is provided by the City of Garland, and treated water is provided by the North Texas Municipal Water District (NTMWD). Waste Management (WM) provides sanitation collection for residential and commercial customers.

The City Council is required to adopt an annual operating budget no later than the beginning of the fiscal year. The process begins with the staff of each department submitting their revised expenditure estimates for the current year and their projections for the upcoming year. These expenditures are evaluated and combined with the projected revenues to formulate the City Manager's budget. This proposed budget is presented to the governing body. Through subsequent budget meetings and public hearings a final budget is developed and adopted by the City Council.

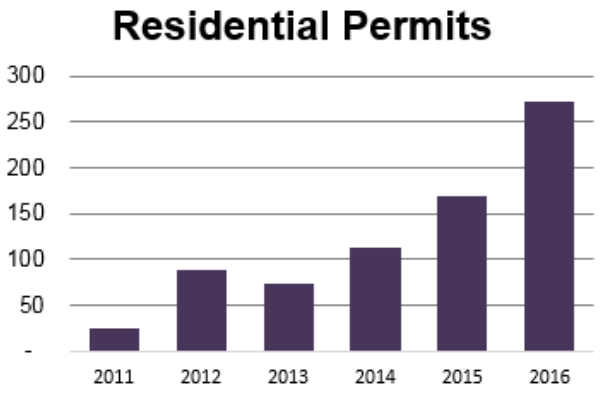
The budget is developed on a departmental level and adopted at the fund level. Department management generates monthly reports that detail expenditures and revenues on a departmental and line item level. This report presents a comparison of budgeted and actual expenditures, providing for the management review of budgetary compliance. Expenditures may not exceed the fund level budget without City Council approval. The City Manager has the authority to make budgetary changes up to the fund level.

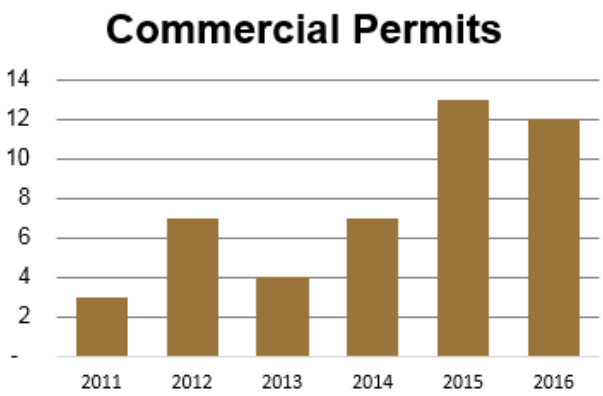
It is possible to amend the budget with City Council action to provide for any items that were unforeseen during the regular budget process. Most unexpended appropriations lapse at year-end; however, the City's financial policies specify that funds budgeted for capital purposes automatically carryover into the new year as well as operational purchases encumbered as of the last day of the fiscal year.

Local Economy

Located in the outer ring of the Dallas Metroplex on the shores of Lake Ray Hubbard, Rowlett's days as a bedroom community are coming to an end, as we realize a major community transformation. Vital access to the community is provided by Interstate 30 to the South, President George Bush Turnpike to the North and East, as well as the DART "Blue Line" Light Rail Extension which connects downtown Dallas and Garland to downtown Rowlett. Major employers within the government's boundaries include large retail stores and specialty medical care facilities.

Rowlett is finally capitalizing on the decade's long vision and commitment of City leadership. With the completion of two major transportation initiatives, the President George Bush Turnpike and the DART light-rail, along with recouping tax dollars lost during the Great Recession (FY2010-FY2014), Rowlett is now reaping the benefit of an improved housing market and new growth. New businesses have come to Rowlett bringing jobs and tax dollars as well. Residential building permits in Rowlett increased 61% in the current year from 170 in 2015 to 273 in 2016, 69 of which resulted from the tornado in December 2015. Net of tornado related permits, the City realized a 20% increase. Commercial permits continued to reflect a strong pattern of growth. New construction added approximately $18.5 million in new taxable value to the tax rolls for FY2016.





Economic development continues to provide phenomenal growth opportunities for Rowlett. Today, we have major, high-quality projects going vertical in every quadrant of the City. These projects, like the Homestead at Liberty Grove (Woodside Living), Harmony (North Shore), The Village of Rowlett (Downtown), and Terra Lago (Healthy Living) would be amazing by themselves. Add in Bayside, and we have $1.5 billion in private investment – absolutely staggering. While there are significant single-family projects underway in Rowlett, many of these new projects will add quality, high end multi-family options providing an alternative "living" atmosphere. New businesses in Bayside will provide the types of employment opportunities in retail and entertainment not yet experienced in Rowlett. Both the Village of Rowlett and Bayside will truly create the after-hours feel that has not been previously available in Rowlett.

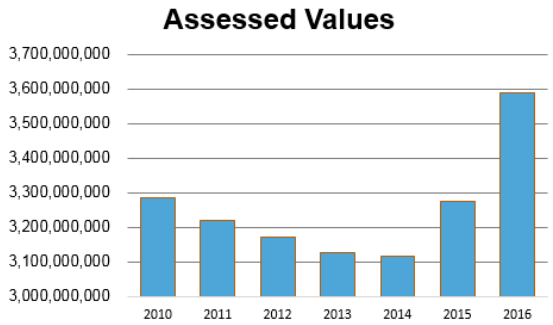
Figure 1 - Concept Art of South view of Bayside

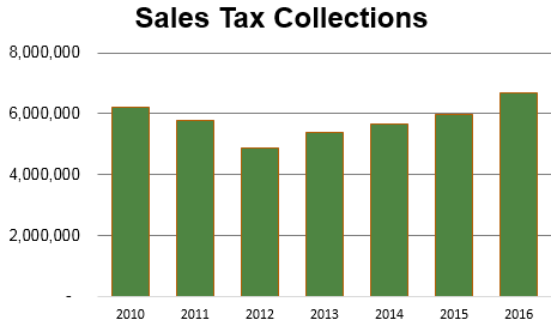
We're Growing!

Bayside will add 1.7 million square feet of commercial space that will include retail and shopping, restaurants and other entertainment venues

BAYSIDE

Since FY2015, the City has experienced a significant turnaround as the market in the DFW area restored property tax values back to pre-FY2010 levels. The FY2016 taxable property values (2015 tax levy) increased 9.6% over FY2015. Based on the newly released 2016 tax levy, the City will experience an additional increase of 9.7% for FY2017. Sales tax also reflected the positive economic growth the City is experiencing with an increase of 11.8% over previous year collections.





Rowlett's commitment to sustainable growth coupled with an educated and motivated workforce provides strong unemployment rates for the City of Rowlett at 3.7%, down from 4.0% in the previous year. In comparison, the State of Texas reported an average of 4.9%, and the national average is 4.8%. Rowlett's median household income is $83,442 with 31% of its residents holding at least a bachelor's degree, compared to the state average of $53,482 and 29% respectively.

Relevant Financial Policies

The City has established reserve policies for its' operating funds as follows:

Fund Type	Reserve Balance Requirement
Governmental	
General Fund	13%
Golf Fund	One year Debt Service
Proprietary	
Water and Sewer Fund	20%
Drainage Fund	10%
Refuse Fund	5%

The City's ability to maintain adequate reserves is critical to allowing flexibility in budgeting and responsiveness to unforeseen short term economic conditions. The City is proud to report that reserve balance requirements have been met or exceeded in the General, Drainage and Refuse funds as noted above. The City's Water and Sewer operating fund fell short of the reserve requirement by 2% as a result of lower than budgeted revenues. The City's Golf fund fell short of the reserve requirement by 44% due to the fiscal year 2015 restructuring of the golf course operating contract, including capital improvements.

Long-Term Financial Planning

Long-term planning, responsiveness to changing economic conditions, and community needs are key factors in maintaining Rowlett's fiscal health. Through the development of a Five Year Financial Strategy Plan and a Five Year Capital Improvement Plan, the City can maximize opportunities, establish priorities, and develop funding sources to ensure organizational sustainability while minimizing the effects of growth on the tax rate.

With a commitment to long-term planning, the City has been able to address financial imbalances and long-term liabilities over the past two years. Employee pay has been brought up to market to address a near crippling level of turnover while at the same time creating a five-year strategy to reduce long-term liabilities for accrued leave and other employee benefits. In addition, the City took action to improve parks' maintenance standards, enhance community amenities, add critical dollars to neighborhood alleys, and begin to build cash reserves for economic development. The City also implemented a strategy to address its Utility Fund reserves after several years of revenue losses during the drought. As the benefits of development are realized over the next two to four years and the economy continues to grow, the City will truly be able to make significant inroads to becoming economically diversified while meeting the growing

service needs of our community.

The FY2017 Budget reflects this commitment to growth as appropriations increased $1.7 million, or 2.0%, compared to the FY2016 approved budget. The primary factors of financial significance are outlined below:

- Personnel Costs will increase $1.0 million
    - 17.75 full time equivalent positions are added to meet the needs of development, maintenance and public safety
    - Continuation of the public safety step plan and a 3% COLA for non-public safety employees beginning April 1, 2017
    - No increase in health insurance premiums for either the City or employees
- Water supply costs from North Texas Municipal Water District (NTMWD) will increase 10.3%. Overall, the budgeted water supply expense will increase $0.8 million.
- Key sustainability strategies include alley improvements, community enhancements and amenities, economic development, and the financial health of the Utility Fund

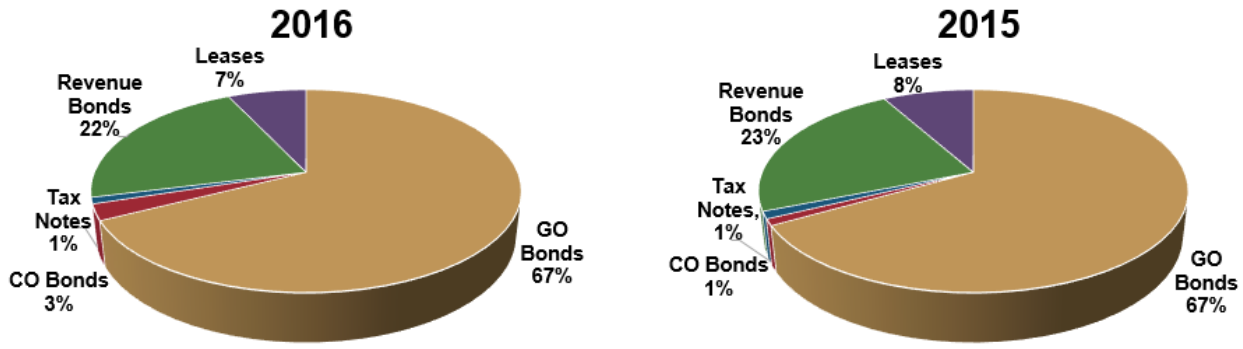
With the eruption of economic growth, Rowlett is embarking on an unprecedented level of development and service delivery. With growth comes the opportunity to address drought induced revenue shortfalls, aging infrastructure, revitalization of neighborhoods, and enhancement of our community amenities and assets.

During the four year period of FY2012 - FY2015, Rowlett's Utility Fund sustained losses in revenues due to water restrictions stemming from the significant regional drought. The resulting fund balance decrease also led to a reduction in the bond rating on the City's water and sewer utility bonds by Standard & Poor's from AA- to A+. Through a commitment to long term planning, the City has formulated an aggressive and sustainable strategy of balancing capital investment with operational costs, and eliminating transfers to reinvest those dollars in the system. Through this strategy, the Utility Fund will be financially sound, infrastructure needs will be met, and the bonding capacity needed to address an explosively growing community will be possible.

The Five Year Capital Improvement Plan (CIP) totals $96.7 million and consists of a comprehensive list of carefully selected and coordinated capital improvement projects in public works, public safety, parks and recreation, water and wastewater, and capital equipment. All investments are necessary to accomplish Rowlett's long-range goals and policies, and are balanced against realistic revenue projections as well as staff capacity. The model also addresses the recommendations of the CIP Task Force formed in FY2014, implementing the projects approved in the FY2015 bond election, and the three year planned bond elections that will leverage the debt capacity resulting from retiring debt.

As a continuation of the three year bonding strategy, the City is proposing a 2018 General Obligation bond referendum to the citizens. These bonds will provide resources to address infrastructure needs, an additional fire station, significant park improvements, and a municipal complex. The issuance of these bonds will be issued with limited tax impact due to decreasing principal and interest payments as older debt is retired. At September 30, 2016, the City had various debt issues outstanding totaling $107 million exclusive of premiums, discounts, or deferred losses. Of this total, $67 million is supported by a combination of ad valorem taxes, developer contributions, and lease payments. Revenues from the enterprise funds support $40 million, including $13 million for the enterprise portions of general obligation refundings.

As of September 30, 2016, the breakdown of outstanding debt by type is as follows:



As of September 30, 2016, Rowlett's bond ratings are as follows:

	General Obligation & Certificates of Obligation	Revenue Bonds
Standard & Poor's	AA	A+
Moody's Investor Service	Aa2	Aa3

Major Initiatives

For the Year: The City issued $4.1 million in General Obligation Bonds to fulfill phase two of the May 2015 bond election. This phase primarily funds the continuation of street, parks and public safety projects commencing in phase one. The City also issued $2.9 million in Certificates of Obligation to fund the design, construction, engineering and equipping of federally required updates to the City's public safety radio system.

During FY2016, the Rowlett community was hit by a catastrophic EF4 tornado that was about 3 ½ miles long and ½ mile wide, impacting 1,296 homes and businesses, injuring 23 individuals with one fatality. Although the tornado was devastating to our community, the outpouring of support received has been absolutely amazing. The number of cities and state agencies that provided mutual aid for response, recovery and debris removal was instrumental, saving Rowlett taxpayers millions of dollars. Additionally, the federal government approved disaster support through public assistance for reimbursement of certain disaster costs. As of June 30, 2016, this estimate is over three million dollars, much of which will be reimbursed through FEMA, the Texas Department of Emergency Management (TDEM), and insurance. Rowlett Initially set aside $1.2 million to cover its portion of the cost; however, in early July, the City was able to free up $0.7 million of those funds for previously scheduled projects. At year end, approximately $0.5 million had been expended, but not yet reimbursed. The financial impact of all disaster project worksheets is expected to be less than $0.1 million.

The City also made a substantial investment in major construction projects and acquisitions during FY2016, including $8.4 million in water improvements, $3.6 million in sewer improvements, $2.0 million in new and refurbished fire trucks, $1.8 million in technology improvements, $1.6 million in park improvements, $1.6 million in street improvements, $1.6 million for public safety, public works and park motor vehicles, $1.4 million for public works heavy equipment, and $0.7 million in drainage improvements. These amounts include $2.9 million of contributions from developers.

For the Future: The City will issue the remaining $11.2 million in General Obligation Bonds to fulfill phase three of the May 2015 bond election. Planning for the 2018 Bond Election will continue in 2017, and will address projects identified by the CIP Task Force. Additionally, we will prepare for a possible $5 million revenue bond issue in FY2018.

As referenced earlier, the Bayside development will put Rowlett on the map as a destination. With an expected build out to occur over eight to ten years, it is expected to add nearly one billion dollars in new taxable value, and nearly $150 million in revenue from property, sales and hotel occupancy taxes over the

next twenty years. Bayside alone would be a fantastic story; however, Rowlett also has other major projects under construction in every quadrant of the City. Over the next five years, these projects will add an additional $800-$950 million in new investment, potentially adding $10-$15 million in property taxes alone. This level of growth also creates new challenges. Long-term planning will require the City to strategically balance demand on time and resources in conjunction with addressing capital infrastructure needs.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rowlett for its CAFR for the fiscal year ended 2015. This is the twelfth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City believes its current CAFR continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2015. In order to receive this award, a governmental unit must publish a budget document that meets program criteria of a policy document, an operations guide, a financial plan, and a communication device.

The preparation of this report would not have been possible without the dedicated service of the entire staff of the Financial Services department. We wish to express our appreciation to all members of the department. We would also like to thank the Mayor and City Council members for their interest and trustworthy support for maintaining the highest standards of professionalism in the management of the City of Rowlett and for conducting the financial operations in a responsible and progressive manner.

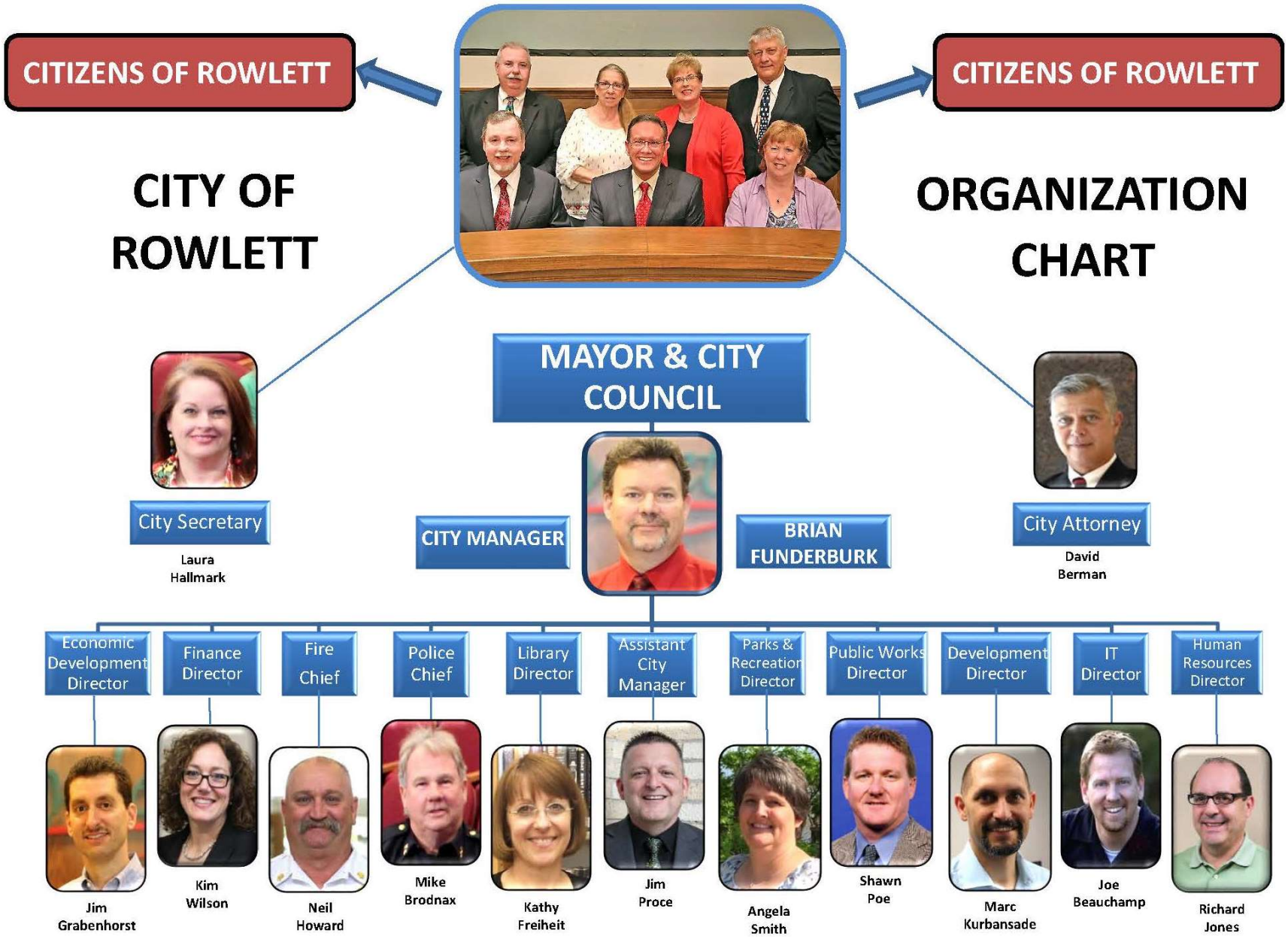
Respectfully submitted,

Brian Funderburk
City Manager

Kim Wilson
Chief Financial Officer
Director of Financial Services

Wendy Badgett
Assistant Director of Financial Services

ORGANIZATION CHART



CITY OF ROWLETT

LIST OF PRINCIPAL OFFICIALS

CITY COUNCIL

Todd Gottel	Mayor
Tammy Dana-Bashian	Mayor Pro-tem
Rick Sheffield	Deputy Mayor Pro-tem
Robbert van Bloemendaal	Councilmember
Bruce Hargrave	Councilmember
Debby Bobbitt	Councilmember
Martha Brown	Councilmember

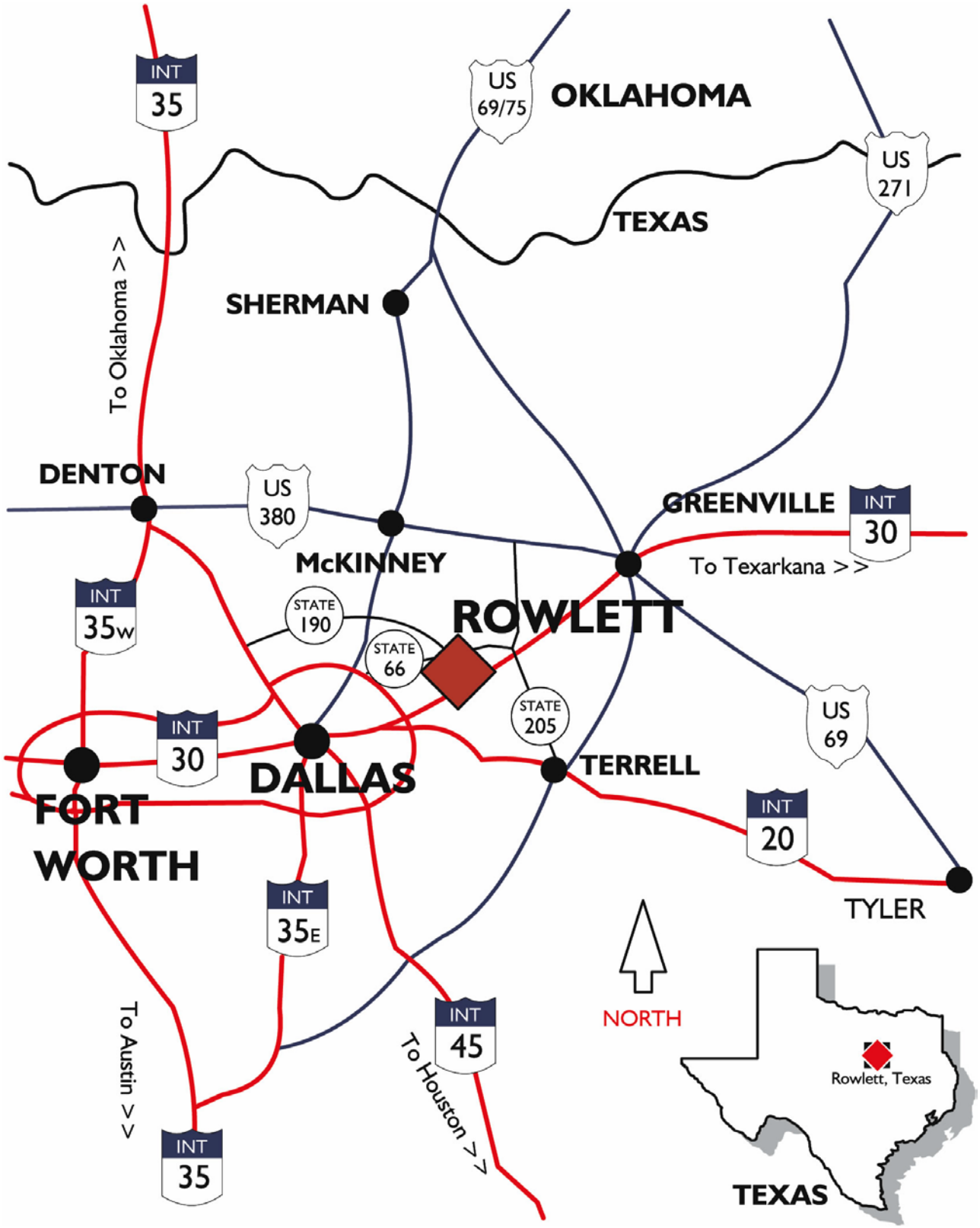
APPOINTED OFFICIALS

Brian Funderburk	City Manager
David Berman	City Attorney
Laura Hallmark	City Secretary
Pamela Liston	Municipal Judge
Amy Thomas	City Prosecutor

MANAGEMENT TEAM

Jim Proce	Assistant City Manager
Jim Grabenhorst	Economic Development
Kim Wilson	Financial Services
Neil Howard	Fire Rescue
Angie Smith	Parks and Recreation
Marc Kurbansade	Development
William Brodnax	Police
Richard Jones	Human Resources
Shawn Poe	Public Works
Kathy Freiheit	Library
Joe Beauchamp	Information Technology

CITY OF ROWLETT
LOCATION MAP



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rowlett

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of City Council
City of Rowlett, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rowlett, Texas (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 9, 2017

Rebuild
Rowlett
Rowlett
TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rebuild
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Our discussion and analysis of the City of Rowlett's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in millions of dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of September 30, 2016 by $137 million (net position). Of this amount, $117 million (86%) is net investment in capital assets and $7 million (5%) is restricted for specific purposes. The remaining $13 million (9%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City of Rowlett's net position of governmental activities increased by $1 million. Property tax revenues are higher over the prior year by $2 million as a result of higher assessed property values. Sales tax revenues also increased over the prior year by $1 million. Operating grants and miscellaneous revenue exceeded prior year by $2 million and $1 million, respectively, primarily due to the tornado that hit December 26, 2015. These increases in revenues were offset by an increase of $6 million in expenses.
- Net position of the City's business type activities increased by $6 million. Capital grants and contributions are higher over the prior year by $5 million as a result of increased development agreements, primarily Bayside and Homestead at Liberty Grove.
- As of September 30, 2016, the City's governmental funds reported combined ending fund balances of $30 million, an increase of $5 million when compared to the prior year. With expenditures exceeding revenues by $6 million, this increase was primarily due to $8 million in net bond issuance activity sources and $3 million of net transfers in. Within total fund balance, $18 million (60%) is restricted by specific legal requirements, $5 million (18%) is assigned to specific types of expenditures, and $0.2 million (1%) is non-spendable as it relates to prepaids and inventories. The remainder of the fund balance, $6 million (21%), is unassigned in the general and special revenue funds. The $7 million unassigned fund balance in the general fund is approximately 19% of total general fund expenditures.
- The City's outstanding debt for the fiscal year ended September 30, 2016 decreased $3 million as a result of the market for refunding debt in prior years. In the current year, the City issued governmental GO and CO debt totaling $7 million. No business type activity debt was issued.
- Due to TMRS actuarial assumption changes, the City's net pension liability increased 110% for fiscal year 2016, from $7 million to $15 million. Cumulatively, GASB Statement No. 68 has resulted in an increase of $12 million in governmental activities net pension liability and $1 million to business type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City of Rowlett's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The statement of net position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Rowlett is improving or deteriorating. While helpful, other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

In the statement of net position and the statement of activities, the City is divided into two types of activities:

- Governmental activities – Most of the City's basic services are reported here, including the police, fire, libraries, development, public services and operations, public works, information services and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- Business-type activities – The City charges a fee to customers to fund all or most of the cost of certain services it provides. The City's water and sewer system, refuse system, and municipal drainage system are reported here.

The government-wide financial statements can be found on pages 17-19 of this report.

Fund Financial Statements. – A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Rowlett maintains twelve individual governmental funds for budget and financial statement presentation purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental funds financial statements can be found on pages 20-23 of this report.

Proprietary funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flows. The City uses enterprise funds to account for charges to customers for the services it provides, whether to outside customers or to other units within the City. The internal service fund (the other component of proprietary funds) is utilized to report activities that provide services for the City's other programs such as the City's self-insurance. Because these services primarily benefit the governmental functions rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

The City maintains three enterprise funds. The City uses enterprise funds to account for its water and sewer, refuse, and municipal drainage. The funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, municipal drainage and solid waste functions, all three of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 24-28 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 31-70 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including this discussion and analysis and information concerning the City's net pension liability and progress in funding its obligation to provide retiree health benefits to its employees.

The required supplementary information can be found on pages 71-74 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Other supplementary combining and individual fund statements and schedules can be found on pages 75-89 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was $137 million as of September 30, 2016. Analyzing the net position and net expenses of governmental and business-type activities separately, governmental type activities net position is $56 million and business type activities net position is $81 million. This analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Table I
City of Rowlett, Texas- Condensed Schedule of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 35,662	$ 29,836	$ 20,096	$ 20,408	$ 55,758	$ 50,244
Capital assets	104,838	106,699	104,794	102,411	209,632	209,110
Total assets	140,500	136,535	124,890	122,819	265,390	259,354
Deferred outflows	10,382	4,928	2,509	2,249	12,891	7,177
Total deferred outflows	10,382	4,928	2,509	2,249	12,891	7,177
Current liabilities	4,672	3,614	3,051	4,025	7,723	7,639
Noncurrent liabilities	89,965	82,845	43,248	46,369	133,213	129,214
Total liabilities	94,637	86,459	46,299	50,394	140,936	136,853
Deferred inflows	571	798	47	74	618	872
Total deferred inflows	571	798	47	74	618	872
Net position:						
Net investment in capital assets	49,737	49,252	67,798	65,406	117,535	114,658
Restricted	2,815	3,428	3,841	2,392	6,656	5,820
Unrestricted	3,122	1,526	9,414	6,802	12,536	8,328
Total net position	$ 55,674	$ 54,206	$ 81,053	$ 74,600	$ 136,727	$ 128,806

By far, the largest portion of the City's net position (86%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (9%) may be used to meet the government's ongoing obligations to citizens and creditors.

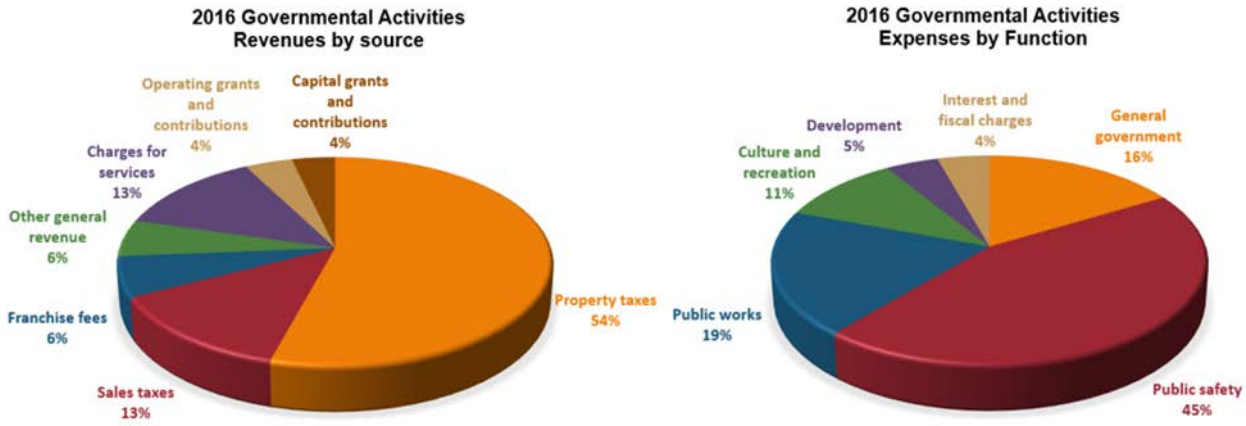
Governmental and business-type activities increased the City's net position by $8 million. The key elements of this increase are as shown in Table II:

Table II
City of Rowlett, Texas- Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	$ 6,541	$ 6,472	$ 32,793	$ 32,838	$ 39,334	$ 39,310
Operating grants and contributions	2,036	521	-	-	2,036	521
Capital grants and contributions	1,852	1,715	7,203	2,723	9,055	4,438
General revenues						
Property taxes	27,487	25,609	-	-	27,487	25,609
Sales taxes	6,705	5,995	-	-	6,705	5,995
Other taxes	175	147	-	-	175	147
Investment income	141	66	61	72	202	138
Gain on sale of assets	-	779	371	-	371	779
Other	5,703	4,574	13	(115)	5,716	4,459
Total revenues	50,640	45,878	40,441	35,518	91,081	81,396
Expenses						
General government	8,661	3,812	-	-	8,661	3,812
Public safety	23,497	21,683	-	-	23,497	21,683
Public works	10,172	12,001	-	-	10,172	12,001
Culture and recreation	5,518	5,211	-	-	5,518	5,211
Development	2,364	1,586	-	-	2,364	1,586
Interest on long-term debt	2,313	2,732	-	-	2,313	2,732
Water and sewer	-	-	25,019	22,362	25,019	22,362
Refuse	-	-	3,835	3,782	3,835	3,782
Drainage	-	-	1,781	2,008	1,781	2,008
Total expenses	52,525	47,025	30,635	28,152	83,160	75,177
Increase (decrease) in net assets before transfers	(1,885)	(1,147)	9,806	7,366	7,921	6,219
Transfers	3,353	4,441	(3,353)	(4,441)	-	-
Increase (decrease) in net position	1,468	3,294	6,453	2,925	7,921	6,219
Net position, beginning as restated	54,206	50,912	74,600	71,675	128,806	122,587
Net position, ending	$ 55,674	$ 54,206	$ 81,053	$ 74,600	$ 136,727	$ 128,806

Governmental Activities

Governmental activities increased the City's net position by $1.5 million. Governmental activities net investment in capital assets increased $0.5 million, and restricted net position decreased $0.6 million. Unrestricted net position increased $1.6 million as a result of operations.



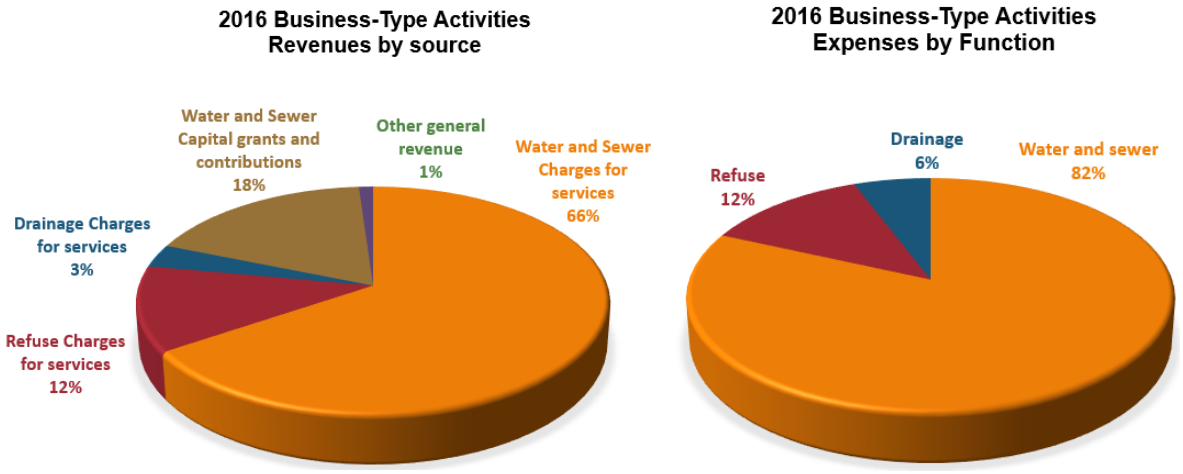
Total revenues for governmental activities, exclusive of transfers, were $50.6 million in fiscal year 2016, up $4.8 million from the previous year. The most significant revenue source is property tax revenue which represents $27.5 million or 54% of the total. The breakdown of the increase is as follows:

- General revenues increased $3.0 million due to higher assessed property values and increased sales tax collections.
- Operating grants and contributions increased $1.5 million primarily due to federal funding in response to the December 26, 2015 tornado.

Total expenses for governmental activities were $52.5 million in fiscal year 2016, up $5.5 million from the previous year. The most significant governmental expense for the City is providing public safety for the community, which incurred expenses of $23.5 million, or 45% of total expenses. Public safety expenses are partially offset by revenues collected from a variety of sources, with the largest being from court fines totaling $0.9 million. Additionally, in FY2016, disaster related expenses were $3.1 million. Depreciation for all governmental capital assets totaled $8.3 million representing 16% of the total.

Business-type Activities

Business-type activities increased the City's net position by $6.5 million. Business type activities net investment in capital assets increased $2.4 million. Restricted net position increased $1.4 million and unrestricted net position increased $2.6 million.


2016 Business-Type Activities
Revenues by source
Water and Sewer Capital grants and contributions 18%
Other general revenue 1%
Water and Sewer Charges for services 66%
Drainage Charges for services 3%
Refuse Charges for services 12%
2016 Business-Type Activities
Expenses by Function
Drainage 6%
Water and sewer 82%
Refuse 12%

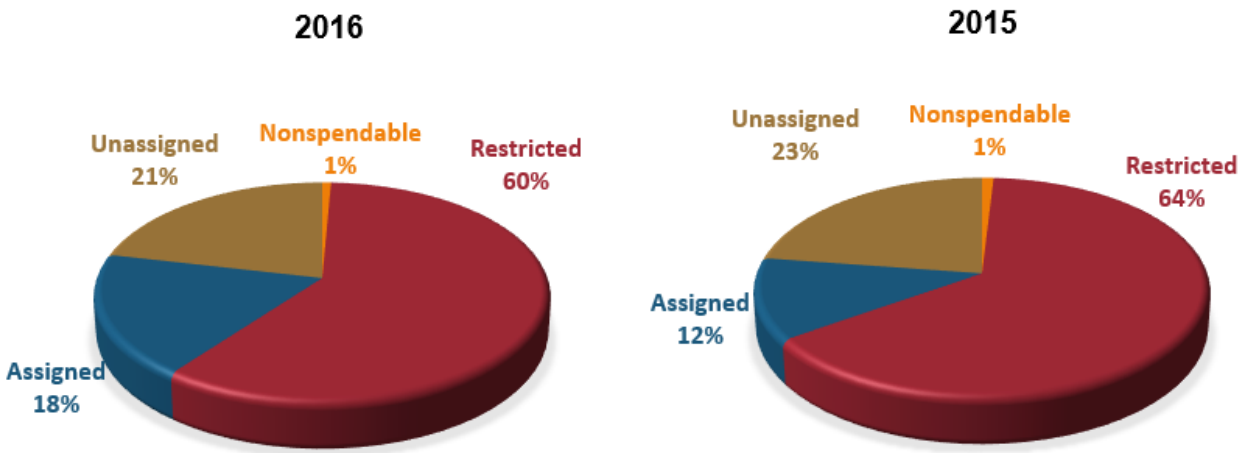
Revenues of the City's business-type activities were $40.4 million for the fiscal year ending September 30, 2016, up $4.9 million from the prior year. Total operating expenses for the City's business-type activities were $30.6 million, up $2.5 million when compared to the prior year. The breakdown of these fluctuations are as follows:

- The water and sewer system accounts for 83% of the business-type program revenues and 82% of the business-type expenses. The water and sewer activity operated with charges for services exceeding expenses by $1.5 million. At $11.4 million, or 46% of total expenses, water supply and wastewater treatment costs are the most significant expense of this fund. The fund also received $5.4 million in developer contributions for the Bayside, Homestead at Liberty Grove and Medical Park Plaza projects and $1.3 million in impact fees.
- The City's refuse activity operated with charges for services exceeding expenses by $1.1 million, consistent with prior year activity.
- The City's drainage activity operated with expenses exceeding charges for services by $0.5 million, consistent with the prior year. At 60% of total expenses, the largest cost to the drainage activity is depreciation, at $1.1 million for the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds: The focus of the City of Rowlett's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $29.6 million. Within this total, $0.2 million is non-spendable for prepaid and inventories. Another $17.7 million is restricted by specific legal requirements, such as by debt covenants, capital projects and specific purposes, and $5.4 million has been assigned to specific types of expenditures. The remainder of the fund balance, $6.4 million, or 21%, constitutes unassigned fund balance of $6.8 million in the general fund that can be used for any lawful purpose and a deficit fund balance of $0.5 million in the disaster special revenue fund. The fund balance for all governmental funds increased $4.9 million primarily due to the issuance of capital project bonds during the year. The chart below depicts the fund balance for governmental funds for FY2015 and FY2016.



The general fund is the chief operating fund of the City. The net change in fund balance for the general fund was an increase of $0.8 million for the current year. Key factors in this increase are as follows:

- Expenditures decreased $1.2 million as a result of a $2 million decrease in capital outlay expenditures in the current year with the purchase of several pieces of fire heavy equipment in the prior year. This decrease was offset by a $0.6 million increase in development expenses, primarily driven by higher personnel costs as a result of increased city-wide development projects.
- Revenues increased $3.1 million primarily as a result of increased property taxes based on higher assessed property values in addition to a reallocation of $0.028149 of the tax rate to maintenance and operations. Sales tax collections increased as well.
- Other financing sources decreased $2.9 million mainly attributable to a reduction of capital lease proceeds in the current year and a gain on the sale of land in the prior year.

The debt service fund has a total fund balance of $29 thousand, all of which is legally restricted for the payment of debt service. The fund balance decreased over prior year by $1 million due to the City's plan to draw down fund balance, and the additional bond issue for public safety.

The capital projects fund has a total fund balance of $18.8 million, of which $18.8 million is restricted or assigned for the acquisition or construction of capital facilities and assets. The non-spendable amount of $57 thousand represents inventories. Fund balance increased $5 million over the prior year primarily due to the second year debt issue of the May 2015 bond election, and the public safety radio system certificates of obligation. These issues combined yielded $7.8 million in bond proceeds. The capital projects fund expended $5.7 million in fiscal year 2016, a decrease of $2.7 million from 2015 expenditures as several significant projects were completed in 2015. Revenues also decreased by $1.6 million due to the local government funding of the Downtown Transit Oriented Development (TOD) project in the prior year.

Proprietary Funds: The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but provides more detail of the City's individual business-like activities. The City maintains three enterprise funds, including the water and sewer fund, refuse fund, and drainage fund that make up the proprietary funds.

- Net position of the City's Water and Sewer fund is $59.2 million, of which $47.4 million is net investment in capital assets, $3.8 million is restricted for debt service, and $7.9 million is unrestricted. The Water and Sewer fund net position increased $6.5 million in the current year. The water and sewer system recorded charges for services of $26.6 million, consistent with the prior year. Water and sewer capital contributions increased $4.3 million, attributable to $4.6 million from the Bayside, Homestead at Liberty Grove and Lakeview Medical Plaza developments. The water and sewer system expenses increased $2.6 million due primarily to $1 million in increased water supply costs, $0.8 million in higher maintenance, repairs and supply costs that included meter replacement in FY2016, and $0.6 million in increased depreciation expense.
- Net position of the City's Refuse fund is $0.6 million, of which $10 thousand is net investment in capital assets and the remaining $0.6 million is unrestricted. Change in net position for the Refuse fund was an increase of $39 thousand.
- Net position of the City's Drainage fund is $21.3 million, of which $20.4 million is net investment in capital assets and $0.9 million is unrestricted. Net position for the Drainage fund decreased $96 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget: During the year, there were no significant amendments to the original estimated revenues or budgeted appropriations. However, the City did have some insignificant adjustments, including reallocating appropriations among departments. Capital Outlay was increased by $0.6 million to include $0.5 million for new public safety and parks vehicles as well as additional machinery and equipment, and golf course clubhouse improvements. Transfers out were increased slightly to fund various capital improvement projects, and transfers in from the water and sewer fund were discontinued to help strengthen the financial stability of that fund.

Final budget compared to actual results: For fiscal year 2016, actual revenues were $36.5 million compared to the original and final budget of $36.4 million. Property tax collections came in lower than expected, but were offset by sales tax and development related license and permit revenues that exceeded expectations. Additionally, the City received unbudgeted capital lease proceeds and an unbudgeted transfer in from the impact fees fund to meet the expense of a local development incentive. Actual expenditures were $36.2 million compared to the final budget amount of $37.3 million and original budget amount of $36.6 million. During the year, the City experienced an unexpected disaster (tornado), which refocused efforts and, in turn, reduced operational spending. The largest single variance of expenditures for all departmental functions, approximately $0.5 million combined, is salary savings as a result of unfilled positions. In addition, general government had savings in computer software maintenance, public safety had savings in general maintenance and repairs, and culture and recreation had savings in professional consulting, contract labor and custodial costs. Fund balance at year end was $7.9 million, $1.6 million more than budgeted as a result of the aforementioned variances

CAPITAL ASSETS

At the end of fiscal year 2016, the City has $210 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table III below.) This amount represents a net increase (including additions net of depreciations and disposals) of $0.5 million or 0.3% over the prior fiscal year.

Table III
City of Rowlett, Texas- Capital Assets at Year End
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Land	$ 29,106	$ 29,128	$ 942	$ 933	$ 30,048	$ 30,061
Buildings and improvements	46,719	49,215	1,391	1,391	48,110	50,606
Machinery and equipment	20,018	15,065	10,617	9,005	30,635	24,070
Construction in progress	6,560	7,471	10,604	15,673	17,164	23,144
Infrastructure	125,325	122,005	170,710	159,584	296,035	281,589
Total	227,728	222,884	194,264	186,586	421,992	409,470
Accumulated depreciation	(122,890)	(116,185)	(89,470)	(84,175)	(212,360)	(200,360)
Total capital assets	$ 104,838	$ 106,699	$ 104,794	$ 102,411	$ 209,632	$ 209,110

This year's major construction projects completed and capital acquisitions included:

Motor Vehicles	$ 1,560,267
Patch Truck	165,354
2 Backhoes	248,450
Gradall	349,540
2 Haul Trucks	310,809
Camera Truck	289,600
Fire Truck and Refurbishments	1,999,934
ERP and Payroll Financial Systems	1,149,639
Fire and Police Software	655,416
Homestead at Liberty Grove - Developer Contribution	2,885,940
Westside Lift Station SS1158	1,358,653
Northshore Sanitary Sewer SS2103	1,895,332
16' Waterline Main St. West of Kirby WA1156	493,956
1.25 MG Elevate Tank for Upper Pressure Plane WA2107	5,162,858
Upper Pressure Plane 16' Waterline Enhancements WA2109	344,874
Big A Waterline Improvements WA2110	1,844,013
Westwood Circle Drainage DR2104	261,910
Scenic Point Park PK2100	740,805
Kid's Kingdom PK2101	876,366
	$ 22,593,716

For more information related to capital assets, see Note 6 to the basic financial statements.

DEBT

At year-end, the City had $98.5 million in bonds outstanding as compared to $101.2 million at the end of the prior fiscal year, a decrease of $2.7 million over the prior fiscal year. See Table IV below.

Table IV
City of Rowlett, Texas- Outstanding Debt at Year End
(in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
General obligation bonds (backed by the City)	$ 58.9	$ 59.6	$ 12.7	$ 13.9	$ 71.6	$ 73.5
Certificates of obligation and tax anticipation notes (backed by the City)	3.7	2.1	-	0.2	3.7	2.3
Revenue bonds (backed by fee revenues)	-	-	23.2	25.4	23.2	25.4
Total bonded debt	$ 62.6	$ 61.7	$ 35.9	$ 39.5	$ 98.5	$ 101.2

During the current fiscal year, the City issued $7 million in new general obligation bonds and certificates of obligation.

The City's general obligation bonds and certificates of obligation carry Aa2 and AA ratings by Moody's Investor Service and Standard and Poor's, respectively. The City's water and sewer revenue bonds carry Aa3 and A+ by Moody's Investor Service and Standard and Poor's, respectively. As a result of water losses from the previous year's drought, and resulting decline in reserves, the City's bond rating was reduced to A+ from AA- from Standards and Poor's in FY2015. The City has begun to rebuild water and sewer reserves over FY2016 and pledges to continue over the next fiscal year.

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation debt. In May 2003, the citizens of Rowlett amended the Charter to limit the amount of taxes that may be levied to $1.25 per $100 of assessed valuation.

More detailed information on the City's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2017 budget. Utilizing the Five Year Financial Strategy Plan and Five Year Capital Improvement Plan allows officials to plan the timing of projects so as to minimize the effects on the budget, tax rates, and fees that will be charged for the governmental and business-type activities. The FY2017 adopted budget addresses the need for increased service levels due to growth and development. The budget also provides essential capital investments in infrastructure and other public improvements, as well as additional public safety resources.

Revenue Projection Highlights:

The total FY2017 combined budget revenue projections total $97 million.

- Property tax revenue is projected to reach $31 million, compared to FY2016's actual amount of $27.5 million. The adopted property tax rate is unchanged from FY2016, set at $0.787173 per one hundred dollars of taxable valuation, however this rate has been reallocated to decrease maintenance and operations and increase interest and sinking by $0.02675. Certified property valuations increased by $347.5 million or 9.7% for FY2017. This increase is a result of improvements in appraised values and new construction.
- Sales tax revenue is projected to reach $6.9 million, compared to FY2016's actual amount of $6.7 million. Growth in new businesses and a general increase in existing retail sales are expected to continue through FY2017.
- General fund licenses and permits are projected at $1.5 million, an increase of $0.5 million or 46.5% when compared to the FY2016 adopted budget as a result of anticipated building permits due to growth and development throughout the City.
- Enterprise fund charges for services are projected to reach $35.5 million, compared to FY2016's actual amount of $32.8 million. This represents a $2.6 million increase expected in water and sewer revenue. The FY2017 enterprise rate changes are as follows:

Water Residential Customers Only	Adopted FY2016	Adopted FY2017
Beginning Base Rate	$22.30	$22.30
Increase in Base Rate from NTMWD	$8.96	$8.96
Temporary Surcharge	n/a	n/a
New Base Rate	$31.26	$31.26
Volume Rate	$4.07	$4.49
Total Montly Fee @ 10,000 gallons per month	$71.96	$76.13
Total Dollar Change	n/a	$4.17
Percent Change	n/a	5.8%

There will be no increase in sewer rates.

Appropriation Budget Highlights:

The total FY2017 combined budget appropriations total $92.8 million.

- Expenses in the general fund are projected to be $41.2 million in FY2017. This is a projected increase of $1 million or 2.4% when compared to the adopted FY2016 budget of $40.2 million. These changes are summarized below:

General Fund Revenues	Adopted FY2016	Proposed FY2017	$ Change	% Change
Personnel	$27,015,168	$ 27,560,289	545,121	2.0%
Supplies	1,891,950	2,172,270	280,320	14.8%
Purchased Equipment	8,248,977	8,428,037	179,060	2.2%
Capital Equipment	1,121,425	723,250	(398,175)	-35.5%
Transfers to Other Funds	1,963,901	2,329,557	365,656	18.6%
Total	**$40,241,421**	**$ 41,213,403**	**$ 971,982**	**2.4%**

- The FY2017 utility fund budget totals $26.7 million, which represents a decrease of $0.4 million or 1.6% from the FY2016 adopted budget of $27.2 million. This decrease is a result of the City's strategy to rebuild fund balance from the impact of prior years' drought conditions. A breakdown of changes by category are below:

Utility Fund Expenses	Adopted FY2016	Proposed FY2017	$ Change	% Change
Personnel	$ 2,209,592	$ 2,514,884	305,292	13.8%
Water/Sewer Contract Services	11,131,599	12,249,708	1,118,109	10.0%
Other Purchase Services and Supplies	2,340,070	2,724,597	384,527	16.4%
Debt Service	4,721,571	4,497,705	(223,866)	-4.7%
Capital Improvements	1,300,000	1,300,000	-	0.0%
Transfers to Other Funds	5,476,331	3,458,517	(2,017,814)	-36.8%
Total	**$27,179,163**	**$ 26,745,411**	**$ (433,752)**	**-1.6%**

- In the Self Insurance Fund, the revenue budget of $5.2 million for FY2017 has increased over the prior year by $0.2 million. The budgeted expenditures of $5 million to cover the cost of health care and Other Post-Employment Benefits (OPEB) contributions of $99,356 has decreased slightly by $2 thousand.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Financial Services, at City of Rowlett, 4004 Main Street, Rowlett, TX 75088 or check our website at www.Rowlett.com.

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BASIC FINANCIAL STATEMENTS

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CITY OF ROWLETT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, cash equivalents and investments	$ 31,139,926	$ 14,812,344	$ 45,952,270
Receivables (net of allowance for doubtful accounts)	3,771,095	4,707,457	8,478,552
Due from other governments	486,134	35,598	521,732
Notes receivable	-	45,053	45,053
Inventories	126,068	477,733	603,801
Prepaid and other items	138,588	18,076	156,664
Capital assets:			
Nondepreciable	35,666,416	11,546,227	47,212,643
Depreciable (net)	69,172,062	93,247,678	162,419,740
Total assets	140,500,289	124,890,166	265,390,455
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,956,545	1,815,831	3,772,376
Deferred outflow of resources - TMRS	8,425,218	692,983	9,118,201
Total deferred outflows of resources	10,381,763	2,508,814	12,890,577
LIABILITIES			
Accounts payable and accrued liabilities	3,764,823	2,128,783	5,893,606
Accrued interest payable	388,716	197,926	586,642
Retainage payable	109,214	60,538	169,752
Customer deposits	-	664,123	664,123
Unearned revenues	409,495	-	409,495
Noncurrent liabilities:			
Due within one year	7,515,052	4,645,743	12,160,795
Due in more than one year:	82,449,885	38,601,747	121,051,632
Total liabilities	94,637,185	46,298,860	140,936,045
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources - TMRS	570,944	46,961	617,905
Total deferred inflows of resources	570,944	46,961	617,905
NET POSITION			
Net investment in capital assets	49,737,154	67,798,118	117,535,272
Restricted for:			
Debt service	-	3,841,031	3,841,031
Capital projects	1,969,881	-	1,969,881
Public safety	462,994	-	462,994
Economic development	82,140	-	82,140
Public broadcasting	299,470	-	299,470
Unrestricted	3,122,284	9,414,010	12,536,294
Total net position	$ 55,673,923	$ 81,053,159	$ 136,727,082

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 8,661,210	$ 27,250	$ -	$ -
Public safety	23,496,850	2,923,557	2,035,858	-
Public works	10,171,825	958,097	-	1,851,705
Culture and recreation	5,517,845	925,832	-	-
Development	2,364,074	1,706,037	-	-
Interest and fiscal charges	2,312,864	-	-	-
Total governmental activities	52,524,668	6,540,773	2,035,858	1,851,705
Business-type activities:				
Water and sewer	25,018,832	26,561,193	-	6,742,609
Refuse	3,835,050	4,911,283	-	-
Drainage	1,780,188	1,320,362	-	460,237
Total business-type activities	30,634,070	32,792,838	-	7,202,846
Total primary government	$ 83,158,738	$ 39,333,611	$ 2,035,858	$ 9,054,551
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Other				
Franchise fees				
Investment earnings				
Gain on sale of assets				
Miscellaneous				
Transfers (net)				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position, ending				

The accompanying notes are an integral part of this statement.

Net Revenues (Expenses) and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (8,633,960)	$ -	$ (8,633,960)
(18,537,435)	-	(18,537,435)
(7,362,023)	-	(7,362,023)
(4,592,013)	-	(4,592,013)
(658,037)	-	(658,037)
(2,312,864)	-	(2,312,864)
(42,096,332)	-	(42,096,332)
-	8,284,970	8,284,970
-	1,076,233	1,076,233
-	411	411
-	9,361,614	9,361,614
$ (42,096,332)	$ 9,361,614	$ (32,734,718)
27,486,731	-	27,486,731
6,705,320	-	6,705,320
175,204	-	175,204
3,145,738	-	3,145,738
141,019	60,724	201,743
-	371,220	371,220
2,556,794	13,312	2,570,106
3,353,436	(3,353,436)	-
43,564,242	(2,908,180)	40,656,062
1,467,910	6,453,434	7,921,344
54,206,013	74,599,725	128,805,738
$ 55,673,923	$ 81,053,159	$ 136,727,082

CITY OF ROWLETT, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and investments	$ 7,537,229	$ 28,595	$ 19,407,693	$ 3,596,102	$ 30,569,619
Receivables (net of allowance for uncollectibles):					
Taxes	1,591,543	151,712	-	7,480	1,750,735
Accounts	844,623	-	-	-	844,623
Accrued interest	5,327	409	12,752	2,297	20,785
Other	1,105,018	-	-	42,334	1,147,352
Due from other governments	-	-	100,000	386,134	486,134
Due from other funds	51,397	-	375,735	-	427,132
Inventories	69,008	-	57,060	-	126,068
Prepaid and other items	85,300	-	-	493	85,793
Total assets	$ 11,289,445	$ 180,716	$ 19,953,240	$ 4,034,840	$ 35,458,241
LIABILITIES					
Accounts payable	$ 1,067,310	$ -	$ 820,359	$ 492,777	$ 2,380,446
Retainage payable	-	-	65,726	43,488	109,214
Accrued liabilities	930,321	-	-	26,548	956,869
Unearned revenue	2,391	-	217,347	189,757	409,495
Due to other funds	-	-	-	427,132	427,132
Total liabilities	2,000,022	-	1,103,432	1,179,702	4,283,156
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	356,914	151,712	-	-	508,626
Unavailable revenue - ambulance fees	526,563	-	-	-	526,563
Unavailable revenue - mowing liens	318,060	-	-	-	318,060
Unavailable revenue - franchise fees	175,346	-	-	-	175,346
Unavailable revenue - grants	-	-	-	4,421	4,421
Unavailable revenue - other	2,606	-	-	864	3,470
Total deferred inflows of resources	1,379,489	151,712	-	5,285	1,536,486
FUND BALANCES					
Fund balances:					
Nonspendable:					
Inventories	69,008	-	57,060	-	126,068
Prepaid items	85,300	-	-	493	85,793
Restricted for:					
Debt service	-	29,004	-	1,014	30,018
Capital projects	90,720	-	14,219,214	2,494,105	16,804,039
Public safety	-	-	-	457,709	457,709
Economic development	-	-	-	82,140	82,140
Public broadcasting	-	-	-	299,470	299,470
Assigned for:					
Economic development	802,739	-	-	-	802,739
Capital acquisition	16,463	-	4,573,534	-	4,589,997
Unassigned	6,845,704		-	(485,078)	6,360,626
Total fund balances	7,909,934	29,004	18,849,808	2,849,853	29,638,599
Total liabilities and fund balances	$ 11,289,445	$ 180,716	$ 19,953,240	$ 4,034,840	$ 35,458,241

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances per balance sheet - governmental funds		$ 29,638,599
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		104,838,478
Certain revenues are not available soon enough to pay for the current period's expenditures and are, therefore, reported as deferred inflows of resources.		1,536,486
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:		
General obligation bonds and certificates of obligation payable	(62,636,953)	
Bond premiums	(4,983,517)	
Deferred charges on refunding	1,956,545	
Accrued interest	(388,716)	
Capital leases payable	(4,271,557)	
Net pension liability	(13,702,499)	
Other post-employment benefits liability	(1,360,546)	
Compensated absences	(3,007,431)	
		(88,394,674)
Deferred outflows of resources and deferred inflows of resources related to pensions are not reported in the fund financial statements.		7,854,274
The internal service fund is used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		200,760
Net position of governmental activities		$ 55,673,923

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Governmental Fund Types				
	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property taxes	$ 20,154,821	$ 7,319,057	$ -	$ -	$ 27,473,878
Sales taxes	6,705,320	-	-	-	6,705,320
Other	81,416	-	-	93,788	175,204
Franchise fees	2,976,337	-	-	174,165	3,150,502
License and permits	1,263,927	-	-	958,097	2,222,024
Charge for services	3,007,143	-	-	-	3,007,143
Fines and forfeitures	892,195	-	-	158,614	1,050,809
Intergovernmental	243,541	-	102,320	1,978,175	2,324,036
Interest	70,625	9,817	41,483	19,094	141,019
Miscellaneous	1,105,566	4,354	175,000	1,271,874	2,556,794
Total revenues	36,500,891	7,333,228	318,803	4,653,807	48,806,729
EXPENDITURES					
Current operating:					
General government	3,371,614	55,671	-	3,198,711	6,625,996
Public safety	20,314,704	116,882	-	896,609	21,328,195
Public w orks	2,811,720	-	1,334,058	-	4,145,778
Culture and recreation	4,590,530	-	-	127,002	4,717,532
Development	2,154,699	-	-	-	2,154,699
Debt service:					
Principal retirement	1,193,012	6,081,509	-	-	7,274,521
Interest and fiscal charges	103,693	2,537,012	-	-	2,640,705
Bond issuance costs	-	-	187,709	-	187,709
Capital outlay	1,659,338	-	4,226,680	299,690	6,185,708
Total expenditures	36,199,310	8,791,074	5,748,447	4,522,012	55,260,843
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	301,581	(1,457,846)	(5,429,644)	131,795	(6,454,114)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	-	6,990,000	-	6,990,000
Capital lease	165,354	-	-	-	165,354
Premiums on issuance of bonds	-	-	810,957	-	810,957
Transfers in	2,469,939	494,737	2,797,176	219,000	5,980,852
Transfers out	(2,183,517)	-	(187,000)	(256,899)	(2,627,416)
Proceeds from sale of assets	8,695	-	-	-	8,695
Total other financing sources (uses)	460,471	494,737	10,411,133	(37,899)	11,328,442
NET CHANGE IN FUND BALANCES	762,052	(963,109)	4,981,489	93,896	4,874,328
FUND BALANCES, BEGINNING	7,147,882	992,113	13,868,319	2,755,957	24,764,271
FUND BALANCES, ENDING	$ 7,909,934	$ 29,004	$ 18,849,808	$ 2,849,853	$ 29,638,599

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 4,874,328
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($8,250,431) and the loss on the sale of assets ($1,369,633) exceeded capital outlay ($6,165,072) and developer contributions ($1,594,787) in the current period.		(1,860,205)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the governmental financial statements, these revenues are referred to as deferred inflows of resources.		237,626
Capital lease and bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayments of principal	7,274,521	
Issuance of bonds	(6,990,000)	
Issuance of capital lease	(165,354)	
Premium on issuance	(810,957)	
		(691,790)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This includes the increase in accrued interest payable ($6,488) and amortization of bond discounts/premiums and deferred losses ($522,038).		515,550
Some expenses not reported in the statements are required to be expensed in the statement of activities. This includes compensated absences, pension costs, and the unfunded OPEB obligation.		(1,266,187)
The internal service fund is used by management to charge the costs for self-insurance to the various funds. The net expenses of certain activities of the internal service fund is reported within the governmental activities.		(341,412)
Change in net position of governmental activities		$ 1,467,910

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
ASSETS					
Current assets:					
Cash, cash equivalents and investments	$ 6,909,475	$ 209,016	$ 900,517	$ 8,019,008	$ 570,307
Restricted cash, cash equivalents and investments:					
Revenue bond covenant accounts	3,841,031	-	-	3,841,031	-
Receivables (net of allowance for uncollectibles):					
Accounts	3,824,392	690,618	176,823	4,691,833	-
Accrued interest	8,873	120	98	9,091	103
Other	4,942	1,591	-	6,533	7,497
Due from other governments	22,964	9,987	2,647	35,598	-
Inventories	477,733	-	-	477,733	-
Prepaid and other items	18,076	-	-	18,076	52,795
Total current assets	15,107,486	911,332	1,080,085	17,098,903	630,702
Noncurrent assets:					
Restricted cash, cash equivalents and investments:					
Revenue bond construction funds	2,952,305	-	-	2,952,305	-
Receivables (net of allowance for uncollectibles):					
Notes receivable	45,053	-	-	45,053	-
Capital assets:					
Land	891,655	-	49,925	941,580	-
Buildings	1,041,641	-	59,178	1,100,819	-
Systems	131,351,993	194,768	39,453,157	170,999,918	-
Machinery and equipment	9,888,305	38,758	690,157	10,617,220	-
Construction in progress	10,586,008	-	18,639	10,604,647	-
Less accumulated depreciation	(72,593,770)	(223,093)	(16,653,416)	(89,470,279)	-
Total capital assets	81,165,832	10,433	23,617,640	104,793,905	-
Total noncurrent assets	84,163,190	10,433	23,617,640	107,791,263	-
Total assets	99,270,676	921,765	24,697,725	124,890,166	630,702
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,637,121	-	178,710	1,815,831	-
Deferred outflows of resources - TMRS	674,747	-	18,236	692,983	-
Total deferred outflows of resources	2,311,868	-	196,946	2,508,814	-
LIABILITIES					
Current liabilities:					
Accounts payable	1,471,414	365,675	69,587	1,906,676	425,043
Accrued liabilities	72,275	-	3,733	76,008	2,465
Accrued interest payable	64,351	-	18,698	83,049	-
Retainage payable	40,962	-	5,940	46,902	-
Customer deposits	664,123	-	-	664,123	-
Compensated absences	10,562	-	-	10,562	102
Capital lease payable	900,564	-	47,576	948,140	-
Bonds payable	3,457,041	-	230,000	3,687,041	-
Total current liabilities	6,681,292	365,675	375,534	7,422,501	427,610
Current liabilities payable from restricted assets:					
Accounts payable	146,099	-	-	146,099	-
Accrued liabilities	-	-	-	-	-
Accrued interest payable	114,877	-	-	114,877	-
Retainage payable	11,636	-	2,000	13,636	-
Total current liabilities payable from restricted assets	272,612	-	2,000	274,612	-
Total current liabilities	6,953,904	365,675	377,534	7,697,113	427,610

(continued)

CITY OF ROWLETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
LIABILITIES (Continued)					
Noncurrent liabilities:					
Compensated absences	$ 111,801	$ -	$ -	$ 111,801	1,077
Net pension liability	1,154,796	-	41,389	1,196,185	29
Unfunded OPEB obligation	156,225	-	8,794	165,019	1,226
Capital lease payable	2,521,649	-	251,975	2,773,624	-
Bonds payable	31,448,324	-	2,906,794	34,355,118	-
Total noncurrent liabilities	35,392,795	-	3,208,952	38,601,747	2,332
Total liabilities	42,346,699	365,675	3,586,486	46,298,860	429,942
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - TMRS	45,725	-	1,236	46,961	-
Total deferred inflows of resources	45,725	-	1,236	46,961	-
NET POSITION					
Net investment in capital assets	47,427,680	10,433	20,360,005	67,798,118	-
Restricted for:					
Debt service	3,841,031	-	-	3,841,031	-
Unrestricted	7,921,409	545,657	946,944	9,414,010	200,760
Total net position	$ 59,190,120	$ 556,090	$ 21,306,949	$ 81,053,159	$ 200,760

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
OPERATING REVENUES					
Charges for sales and services:					
Charges for services	$ 26,561,193	$ 4,911,283	$ 1,320,362	$ 32,792,838	$ 4,469,210
Miscellaneous	11,321	1,991	-	13,312	76,971
Total operating revenues	26,572,514	4,913,274	1,320,362	32,806,150	4,546,181
OPERATING EXPENSES					
Personnel services	2,439,131	4,449	81,163	2,524,743	78,579
Water supply	7,233,346	-	-	7,233,346	-
Wastewater treatment	4,157,168	-	-	4,157,168	-
Contractual services	539,589	5,616	34,176	579,381	4,658,681
Maintenance, repairs and supplies	2,322,940	-	254,280	2,577,220	-
Utilities	421,932	-	-	421,932	-
Legal and professional	19,017	2,133	-	21,150	-
Refuse collection	-	3,588,430	-	3,588,430	-
Depreciation	5,261,514	5,757	1,061,831	6,329,102	-
Intragovernmental charges	1,899,064	227,520	253,872	2,380,456	-
Miscellaneous	13,025	1,145	-	14,170	150,610
Total operating expenses	24,306,726	3,835,050	1,685,322	29,827,098	4,887,870
OPERATING INCOME (LOSS)	2,265,788	1,078,224	(364,960)	2,979,052	(341,689)
NONOPERATING REVENUES (EXPENSES)					
Investment income	55,913	1,604	3,207	60,724	277
Gain on disposition of assets	371,220	-	-	371,220	-
Interest and fiscal charges	(712,106)	-	(94,866)	(806,972)	-
Total nonoperating revenues (expenses)	(284,973)	1,604	(91,659)	(375,028)	277
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,980,815	1,079,828	(456,619)	2,604,024	(341,412)
Capital contributions	6,742,609	-	460,237	7,202,846	-
Transfers out	(2,213,040)	(1,040,400)	(99,996)	(3,353,436)	-
CHANGE IN NET POSITION	6,510,384	39,428	(96,378)	6,453,434	(341,412)
TOTAL NET POSITION, BEGINNING	52,679,736	516,662	21,403,327	74,599,725	542,172
TOTAL NET POSITION, ENDING	$ 59,190,120	$ 556,090	$ 21,306,949	$ 81,053,159	$ 200,760

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	$ 27,809,221	$ 4,962,339	$ 1,340,576	$ 34,112,136	$ 4,461,709
Cash received from miscellaneous	11,321	1,991	-	13,312	76,971
Cash paid to employees for services	(2,327,221)	(4,449)	(76,742)	(2,408,412)	(78,579)
Cash paid for goods and services	(16,782,765)	(3,802,482)	(541,829)	(21,127,076)	(4,626,312)
Net cash provided by (used in) operating activities	8,710,556	1,157,399	722,005	10,589,960	(166,211)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(2,213,040)	(1,040,400)	(99,996)	(3,353,436)	-
Net cash used in operating activities	(2,213,040)	(1,040,400)	(99,996)	(3,353,436)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	(4,233,206)	-	(274,989)	(4,508,195)	-
Interest and fiscal charges paid on ca	(946,283)	-	(138,946)	(1,085,229)	-
Proceeds from capital debt	887,651	-	349,540	1,237,191	-
Capital contributions	6,742,609	-	460,237	7,202,846	-
Acquisition and construction of capital assets	(9,041,958)	-	(1,027,169)	(10,069,127)	-
Proceeds from sale of capital assets	932,739	-	-	932,739	
Net cash used in capital and related financing activities	(5,658,448)	-	(631,327)	(6,289,775)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	55,913	1,604	3,207	60,724	277
Net cash provided by investing activities	55,913	1,604	3,207	60,724	277
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	894,981	118,603	(6,111)	1,007,473	(165,934)
CASH AND CASH EQUIVALENTS, BEGINNING	12,807,830	90,413	906,628	13,804,871	736,241
CASH AND CASH EQUIVALENTS, ENDING	$ 13,702,811	$ 209,016	$ 900,517	$ 14,812,344	$ 570,307
CASH AND CASH EQUIVALENTS	6,909,475	209,016	900,517	8,019,008	570,307
RESTRICTED CASH AND CASH EQUIVALENTS	6,793,336	-	-	6,793,336	-
TOTAL CASH AND CASH EQUIVALENTS, ENDING	$ 13,702,811	$ 209,016	$ 900,517	$ 14,812,344	$ 570,307

(continued)

CITY OF ROWLETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Enterprise				Governmental Activities - Internal Service
	Water and Sewer	Refuse	Drainage	Total	Self-insurance
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	$ 2,265,788	$ 1,078,224	$ (364,960)	$ 2,979,052	$ (341,689)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	5,261,514	5,757	1,061,831	6,329,102	-
Changes in assets and liabilities:					
Accounts receivable	953,668	51,381	19,830	1,024,879	(7,497)
Other receivables	12,042	(325)	384	12,101	(4)
Prepaid expenses and other assets	1,640	-	-	1,640	43,718
Inventory	280,678	-	-	280,678	-
Accounts payable and accrued liabilities	(180,579)	22,362	(2,394)	(160,611)	139,261
Customer and escrow deposits	35,352	-	-	35,352	-
Accrued compensated absences	(4,936)	-	(1,695)	(6,631)	-
Net pension liability and OPEB obligation	85,389	-	9,009	94,398	-
Total adjustments	6,444,768	79,175	1,086,965	7,610,908	175,478
Net cash provided by (used in) operating activities	$ 8,710,556	$ 1,157,399	$ 722,005	$ 10,589,960	$ (166,211)
NONCASH FINANCING AND INVESTING ACTIVITIES:					
Capital lease	$ 887,651	$ -	$ 349,540	$ 1,237,191	$ -
Capital contributions	6,742,609	-	460,237	7,202,846	-
Gain on disposal of capital assets	371,220	-	-	371,220	-
Total noncash financing and investing activities	$ 8,001,480	$ -	$ 809,777	$ 8,811,257	$ -

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	PID Agency Fund	Other Post Employment Benefits Trust Fund
ASSETS		
Restricted Cash	$ -	$ 17,648
Investments:		
Money market	9,420,347	-
Equity mutual funds	-	136,947
Fixed income mutual funds	-	91,536
Total investments	9,420,347	228,483
Total assets	9,420,347	246,131
LIABILITIES		
Liability to bondholders	9,420,347	-
Total liabilities	$ 9,420,347	-
NET POSITION		
Held in trust for other post employment benefits and other purposes		246,131
Total net position		$ 246,131

The accompanying notes are an integral part of this statement.

CITY OF ROWLETT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Other Post Employment Benefits Trust Fund
ADDITIONS	
Employer contributions	$ 125,712
Interest income	18,954
Total additions	144,666
DEDUCTIONS	
Administrative expenses	1,011
Total deductions	1,011
Change in net position	143,655
Net position, beginning of year	102,476
Net position, end of year	$ 246,131

The accompanying notes are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Rebuild
Rowlett
Rowlett
TEXAS

CITY OF ROWLETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Rowlett, Texas (City) is a municipal corporation governed by an elected mayor and six-member council. It was incorporated on March 1, 1952, under the provisions of Chapter 11, Title 28, Texas Revised Civil Statutes of 1925. On January 19, 1980, the City adopted a charter making it a home rule city operating under a Council-Manager form of government. The City provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of its inhabitants. The City's services include public safety, streets and transportation, water and wastewater, solid waste collection and disposal, environmental health and leisure services.

The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

The City's basic financial statements include all organizations and activities determined to be part of the City's reporting entity. There are no component units of the City as defined by generally accepted accounting principles.

Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34, as amended, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. The City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the government funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. GASB Statement No. 34 also requires supplementary information such as Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the adopted and modified General Fund budget with actual results capital assets, including infrastructure.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation – Continued

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by type in the financial statements.

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund-based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The non-major funds are combined in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

GASB Statement No. 34 also permits the City to report individual non-major funds if officials believe the fund is particularly important to the financial statement's readers. The Refuse Fund is reported as major for this reason.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments not due within the operating cycle, are recorded only when the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered deferred revenue.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus/Basis of Accounting – Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, refuse, and municipal drainage funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The **Capital Projects Fund** accounts for the financing and acquisition of right of way and construction of streets and alleys, buildings, land acquisition and park improvements. Funds are provided primarily through bond sales, impact fees and interest earnings.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activities of the enterprise. The enterprise operates the water distribution and pump stations, and the sewage collection system and lift stations.

The **Refuse Fund** accounts for the activities of the City's residential and commercial trash collection service.

The **Drainage Fund** accounts for the activities of the City's drainage maintenance operations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus/Basis of Accounting – Continued

Additionally, the City reports the following nonmajor fund types:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes, such as impact fees, police seizure, court fees, grants, etc.

The **Internal Service Fund** is used to account for the City's self-insurance activities provided to other departments or funds of the City on a cost reimbursement basis.

The **Fiduciary Fund** is used to hold assets for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government. These funds are not incorporated into the government-wide financial statements.

Assets, Liabilities, and Net Position or Equity

Deposits and Investments

Cash in all funds, excluding the City's payroll account and certain escrow accounts, is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash. Investment income resulting from this pooling is allocated to the respective funds based on the sources of the funds invested.

Investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers a quoted market price at September 30, 2016 to be the fair value of investments.

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, escrow cash with fiscal agent and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Receivables and Payables – Continued

All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances are calculated based on historical performance and can differ between receivable types. Accounts without the backing of liens or contractual agreements exceeding 365 days are typically written off.

Property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

Inventories and Prepaid Items

Inventories, which are expended as they are consumed, are recorded using the average cost method and are stated at cost. They are valued at the lower of moving average (i.e., perpetual inventory) cost or market. Unit prices are adjusted as new inventory is added, thus the moving average cost closely represents the cost of goods sold. Other inventories are stated at the lower of cost (first-in, first-out method) or market.

Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A reserve for prepaid items and inventories is recognized in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures. At the government-wide level, unamortized bond issue costs are treated as a prepaid item.

Interfund Transactions and Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or non-routine transfers of equity between funds, for example, contribution of capital assets to a proprietary fund, are accounted for as transfers.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Restricted Assets

Assets, consisting of cash and short-term investments, have been set aside on the balance sheet because they represent funds with restricted purposes.

In the proprietary funds, restricted assets are segregated to reflect resources accumulated for debt service, construction funds, or other legal requirements. Debt service amounts are restricted for the current year requirements and also for future years' requirements as required by bond covenants. Construction funds represent resources set aside for construction projects of the Water and Sewer and Drainage Funds.

Capital Assets

Capital assets, which include property, plant, equipment and public domain (infrastructure) assets (e.g. roads, water and sewer lines, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of three years. Public infrastructure is capitalized at $100,000 and an estimated useful life in excess of five years. Contributed assets are recorded at estimated fair market value at the time received. Assets acquired by lease financing are capitalized over the term of the lease according to the City's capitalization threshold policy. Capital costs that do not materially add to the value of the asset, extend its useful life, or do not otherwise meet the government's capitalization threshold are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total amount of interest capitalized for the current fiscal year was $416,297.

Capital assets of the primary government are depreciated using the straight line with half-year convention method. The estimated useful lives under the policy are as follows:

Buildings, other improvements	20 - 40 years
Alleys, drainage systems, and water and sewer system	25 years
Equipment	3 - 20 years
Streets	10 - 20 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets, changes in actuarial assumptions, and difference between expected and actual economic experience – These differences are deferred and amortized.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only two types of items. The first arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Compensated Absences

City employees earn vacation and sick leave based on length of service. Nonexempt employees are eligible to accumulate compensation time at one and one-half times the hourly rate of pay. At termination, employees are reimbursed for accumulated vacation and compensatory time. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements and are typically liquidated with expendable resources in the General Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Long-term obligations such as the net pension liability and the other post-employment benefits (OPEB) obligation are liquidated with expendable resources in the General Fund.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. The City does not utilize encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation. Since the City intends to honor such commitments, the subsequent year's appropriations will provide authority to complete these transactions. Under the City's budgetary process, appropriations lapse at fiscal year-end, except for capital improvements or contracts in which the City issued a purchase order prior to the end of the year. These encumbrances are re-appropriated and become part of the subsequent year's budget because performance under the executory contract is expected in the next year. Refer to Note 13F for the amount of encumbrances expected to be honored upon performance by the vendor in the next year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Fund Balance Classification and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Fund balances classified as committed can only be used for specific purposes pursuant to Resolution Number RES-011-12 imposed by the City Council, which constitutes the highest level of action and most binding constraint.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council has by resolution authorized the City Manager and/or the Director of Financial Services to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

Fund Balance Classification and Net Position – Continued

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

At the government–wide level, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used for the acquisition, construction or improvements of those assets, net of debt related to any unspent proceeds.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Deficit Fund Balance

At September 30, 2016, the disaster fund, a nonmajor fund, had a deficit fund balance of $484,229, due to the timing of reimbursements waiting to be received by FEMA.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City Council follows these procedures in establishing the budgets reflected in the financial statements:

- Approximately 60-90 days prior to October 1 of each fiscal year, the City Manager submits a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.

- Public hearings and budget work sessions are conducted to obtain taxpayer comments.

- Typically, the City Council enacts the budget by ordinance at its first meeting in September. This allows tax statements to be prepared and mailed in a timely fashion.

- Annual budgets are legally adopted for the General, Special Revenue, Debt Service and Enterprise Funds. Budgets are prepared on a modified accrual basis for the General, Special Revenue, and Debt Service Funds. Enterprise and Internal Service Fund budgets are prepared on an accrual basis, except that capital outlays (exclusive of water and sewer capital projects) and principal payments on debt are budgeted as expenses and depreciation expense is not budgeted. Budgets for the Capital Projects Funds are normally established pursuant to the term of the related bond indentures, that is, on a project basis.

- The level of control is at the fund level. Budget adjustments are transfers of approved funds from one line-item within a department or from one department to another within a fund. Budget adjustments within the same department under $10,000 may be approved by the Director and Director of Financial Services with notification to the City Manager. Budget adjustments exceeding $10,000 or between departments within the same fund shall be made at the discretion and approval of the City Manager. Budget amendments, which increase or decrease the total appropriation of a given fund shall be approved by the City Council at a regularly scheduled City Council meeting.

The Budgetary Comparison Schedule, included in the required supplementary information, presents a comparison of budgetary data to actual results of operations for the General Fund in which an annual operating budget was legally adopted. This schedule utilizes the same basis of accounting for both budgetary purposes and actual results. Budgetary data for the Capital Projects Funds have not been presented in the accompanying supplemental information. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in a Five Year Capital Improvements Plan.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED

Excess of Expenditures over Appropriations

For the year ended September 30, 2016, the Impact Fee Fund expenditures exceeded appropriations by $127,587, the Police Seizure Fund by $109,427, the Grant Fund by $294,902, and the Other Special Revenue Fund by $17,050. The City's impact fees were used to fund an allowable project. Resources for the Police Seizure Fund come from federal and state asset forfeitures which govern the purposes for which they may be spent. The City had funds approved to be spent on a new contract in the Grant Fund, and PEG fees were approved to be spent for the purchase of new equipment and a studio in the Other Special Revenue Fund. The budgets were not specifically amended to address the over expenditures.

NOTE 3. DEPOSITS AND INVESTMENTS

The City has adopted Investment Policies, which are in accordance with the laws of the State of Texas, where applicable, specifically the Public Funds Investment Act (PFIA). The policies identify authorized investments and investment terms, collateral requirements, safekeeping requirements for collateral and investments, and certain investment practices. Authorized investments include obligations of the federal government or its agencies and instrumentalities, repurchase agreements, state and local investment pools, SEC regulated money market mutual funds, collateralized or insured certificates of deposit, and prime commercial paper.

State statutes require that all deposits in the financial institutions be fully collateralized by U.S. government obligations or obligations of the state of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's demand deposits were fully collateralized at September 30, 2016 with collateral required by the state statutes. At year-end, the City's deposit balance was fully covered by collateral held by the City's depository bank in the City's name or by FDIC insurance.

The City categorizes its fair value measurements within the three-level fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. Below are the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement

The City's investments are measured as presented in the table below. The City's investment balances, weighted average maturity, and credit risk of such investments are as follows:

	September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Maturity (Years)	Rating
Investments Measured at Amortized Cost:							
Texas Local Government Investment Pools							
TexPool	$ 27,320,365	$ -	$ -	$ -	65.16%	0.003	AAAm
Investments Subject to Fair Value							
Commercial Paper	1,095,460	-	1,095,460	-	2.61%	0.410	P-1
U.S. Agencies	4,111,136	-	4,111,136	-	9.81%	1.650	Aaa
U.S. Treasuries	9,398,971	-	9,398,971	-	22.42%	1.750	Aaa
Total Value	$ 41,925,932	$ -	$14,605,567	$ -		1.620	

The City invests in Texas Local Government Investment Pool (TexPool), an external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. The fair value of the City's position in the pool is the same as the value of pool shares.

The TexPool investment pool is an external investment pool measured at amortized cost to report net position to compute share prices. Accordingly, the fair value of the position in this pool is the same as the value of the shares in the pool. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of $1.00 per share, has a weighted average maturity of 60 days or less, and has a weighted average life of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and no maximum transaction amounts. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

This local government investment pool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Texas Local Government Investment Pool (TexPool) is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

The Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from increasing interest rates, the City's investment policy states that the overall weighted average maturity of principal return for the entire portfolio shall be less than two (2) years. By policy, the City will not directly invest in securities maturing more than five years from the date of purchase.

Credit Risk. The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U.S. Agency securities (Commercial Paper, FHLB, FHLMC, and US TSY) are individually rated by Standard & Poor's and by Moody's Investors Service (see table above). As of September 30, 2016, investments in the Texas Local Government Pool (TexPool) carried a credit rating of AAAm by Standard & Poor's. US Treasuries are backed by the full faith and credit of the US Government.

Concentration of Credit Risk. With the exception of U.S. Treasury securities and State Local Government Pools, the City's investment policy limits the amount that may be invested in any one issuer to 40% of the total investment portfolio. The City's investment policy also has stricter restrictions for commercial paper, CD's, repurchase agreements, mutual funds and other investments. As of September 30, 2016, 34.84% of the City's total investments are in the following: Federal Home Loan Mortgage Corporation (6.92%), Fannie Mae (2.89%), US Treasury Notes (22.42%), and Commercial paper (2.61%) on a fair value basis. The remaining 65.16% is in TexPool.

Custodial Credit Risk – Deposits. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the City may not be able to recover its deposits. The City's investment policy follows state statutes, which require that all deposits in financial institutions be fully collateralized or insured. The City was not exposed to any custodial credit risk at year-end.

Custodial Credit Risk – Investments. For investments, custodial credit risk is the risk that in the event of the failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all investments held by outside parties for safekeeping be held in the name of the City. The City was not exposed to any custodial credit risk at year-end.

NOTE 4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. The property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Taxes are due October 1 and become delinquent after the following January 31. Penalty and interest is charged at 7% on delinquent taxes beginning February 1 and increases each month to a maximum of 18% on July 1. Assessed values are established at 100% of estimated market value and certified by the Board of Equalization. The assessed value for the roll of January 1, 2015, upon which the fiscal year 2016 levy was based, was $3,587,455,377.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. However, on May 3, 2003, the citizens of Rowlett approved modifications to the City's Home Rule Charter, including a provision to cap the levy of property taxes at $1.25 per $100 of assessed valuation.

The tax rate for the year ended September 30, 2016 was $.787173 per $100, of which $0.577919 was allocated for general government and $0.209254 was allocated for the payment of principal and interest on general obligation debt. Taxes are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Tax collections, including past delinquencies, for the year ended September 30, 2016, were 99.01% of the tax levy.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every four years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district. As of September 1, 1997, the City contracted with Dallas County to bill and collect the City's property taxes.

NOTE 5. RECEIVABLES

Receivables as of the year end for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Water and Sewer	Refuse	Drainage	Internal Service	Total
Interest	$ 5,327	$ 409	$ 12,752	$ 2,297	$ 8,873	$ 120	$ 98	$ 103	$ 29,979
Court	-	-	-	864	-	-	-	-	864
Ambulance	1,071,015	-	-	-	-	-	-	-	1,071,015
Lot mowing	373,928	-	-	-	-	-	-	-	373,928
Sales tax	1,234,629	-	-	-	-	-	-	-	1,234,629
Hotel/motel tax	-	-	-	7,480	-	-	-	-	7,480
Property tax	401,933	170,396	-	-	-	-	-	-	572,329
Customer accounts	-	-	-	-	3,949,835	715,694	183,807	-	4,849,336
Other accounts	141,044	-	-	-	4,942	1,591	-	7,497	155,074
Franchise fees	951,895	-	-	41,470	-	-	-	-	993,365
911 fees	28,911	-	-	-	-	-	-	-	28,911
Gross receivables	4,208,682	170,805	12,752	52,111	3,963,650	717,405	183,905	7,600	9,316,910
Less: allowance for uncollectibles	(662,171)	(18,684)	-	-	(125,443)	(25,076)	(6,984)	-	(838,358)
Net total receivables	$ 3,546,511	$ 152,121	$ 12,752	$ 52,111	$ 3,838,207	$ 692,329	$ 176,921	$ 7,600	$ 8,478,552

Revenue Recognition

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property tax receivable	$ 508,626	$ -
Ambulance	526,563	-
Mowing liens	318,060	-
Intergovernmental	4,421	241,862
Franchise Fees	175,346	-
Other	3,470	167,633
Total unavailable/unearned for governmental funds	$ 1,536,486	$ 409,495

NOTE 6. CAPITAL ASSETS

Capital asset activity as of September 30, 2016 was as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 29,128,448	$ 4,033	$ (26,662)	$ 29,105,819
Construction in progress	7,471,045	3,393,118	(4,303,566)	6,560,597
Total capital assets not being depreciated	36,599,493	3,397,151	(4,330,228)	35,666,416
Capital assets being depreciated:				
Buildings	24,414,223	-	(2,494,680)	21,919,543
Improvements other than buildings	24,799,403	14,531	(13,331)	24,800,603
Machinery and equipment	15,065,139	1,782,620	3,169,952	20,017,711
Infrastructure	122,005,239	2,565,557	753,830	125,324,626
Total capital assets being depreciated	186,284,004	4,362,708	1,415,771	192,062,483
Less accumulated depreciation:				
Buildings	(8,525,844)	(572,519)	1,153,790	(7,944,573)
Improvements other than buildings	(20,207,963)	(439,963)	13,331	(20,634,595)
Machinery and equipment	(10,032,823)	(1,907,524)	377,703	(11,562,644)
Infrastructure	(77,418,184)	(5,330,425)	-	(82,748,609)
Total accumulated depreciation	(116,184,814)	(8,250,431)	1,544,824	(122,890,421)
Total capital assets being depreciated, net	70,099,190	(3,887,723)	2,960,595	69,172,062
Governmental activities capital assets, net	$ 106,698,683	$ (490,572)	$ (1,369,633)	$ 104,838,478

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 932,965	$ 8,615	$ -	$ 941,580
Construction in progress	15,673,029	4,986,810	(10,055,192)	10,604,647
Total capital assets not being depreciated	16,605,994	4,995,425	(10,055,192)	11,546,227
Capital assets being depreciated:				
Buildings	1,100,819	-	-	1,100,819
Improvements other than buildings	290,606	-	-	290,606
Machinery and equipment	9,005,320	1,767,883	(155,983)	10,617,220
Infrastructure	159,583,258	2,550,456	8,575,598	170,709,312
Total capital assets being depreciated	169,980,003	4,318,339	8,419,615	182,717,957
Less accumulated depreciation:				
Buildings	(487,270)	(28,825)	-	(516,095)
Improvements other than buildings	(257,542)	(2,773)	-	(260,315)
Machinery and equipment	(5,358,174)	(905,926)	155,983	(6,108,117)
Infrastructure	(78,072,423)	(5,391,578)	878,249	(82,585,752)
Total accumulated depreciation	(84,175,409)	(6,329,102)	1,034,232	(89,470,279)
Total capital assets being depreciated, net	85,804,594	(2,010,763)	9,453,847	93,247,678
Business-type activities capital assets, net	$ 102,410,588	$ 2,984,662	$ (601,345)	$ 104,793,905

NOTE 6. CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government	$	486,960
Public safety		1,272,409
Public works		5,870,255
Culture and recreation		590,550
Development		30,257
Total depreciation expense - governmental activities	$	8,250,431
Business-type activities:		
Water and sewer	$	5,261,514
Refuse		5,757
Drainage		1,061,831
Total depreciation expense - business-type activities	$	6,329,102

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to 100% of what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

The City can grant, as often as annually, another type of monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, the City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% repeating
Annuity increase (to retirees)	50% of CPI repeating

The City does not participate in Social Security.

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED

Employees Covered by Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	191
Inactive employees entitled to but not yet receiving benefits	220
Active employees	357
	768

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.06% and 12.42% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ending September 30, 2016, were $2,821,242, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions –

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	$ 100,250,911	$ 93,140,959	$ 7,109,952
Changes for the year:			
Service cost	3,555,319	-	3,555,319
Interest	7,030,685	-	7,030,685
Difference between expected and actual experience	253,140	-	253,140
Changes of assumptions	1,366,618		1,366,618
Contributions - employer	-	2,843,382	(2,843,382)
Contributions - employee	-	1,524,019	(1,524,019)
Net investment income	-	137,446	(137,446)
Benefit payments, including refunds of employee contributions	(3,180,434)	(3,180,434)	-
Administrative expense	-	(83,712)	83,712
Other changes	-	(4,134)	4,134
Net changes	9,025,328	1,236,567	7,788,761
Balance at 12/31/2015	$ 109,276,239	$ 94,377,526	$ 14,898,713

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED

Changes in the Net Pension Liability – Continued

Sensitivity of the net pension liability to changes in the discount rate –

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 31,839,849	$ 14,898,713	$ 1,147,811

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of $4,241,302.

At September 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 195,739	$ (617,905)
Changes in actuarial assumptions	1,056,727	-
Difference between projected and actual investment earnings	5,772,664	-
Contributions subsequent to the measurement date	2,093,071	-
Total	$ 9,118,201	$ (617,905)

$2,093,071 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized in the City's financial statements September 30, 2017).

NOTE 7. EMPLOYEE'S RETIREMENT SYSTEM – CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement year ended December 31:	
2016	$ 1,611,338
2017	1,611,338
2018	1,757,474
2019	1,427,075
2020	-
Total	$ 6,407,225

NOTE 8. LONG-TERM DEBT

A summary of long-term debt transactions, including the current portion, as of September 30, 2016, was as follows:

	Balance October 1, 2015	Issued Incurred	Retired or Refunded	Balance September 30, 2016	Due Within One Year
Governmental activities					
General obligation bonds	$ 59,613,462	$ 4,105,000	$ 4,851,509	$ 58,866,953	$ 5,902,959
Combined tax and surplus revenue certificates of obligation	880,000	2,885,000	1,065,000	2,700,000	155,000
Limited tax notes	1,235,000	-	165,000	1,070,000	175,000
Capital leases	5,299,215	165,354	1,193,012	4,271,557	1,022,406
Bond premiums	4,917,122	810,957	744,562	4,983,517	-
Compensated absences	2,998,526	78,755	68,671	3,008,610	259,687
Net pension liability	6,505,713	7,196,815	-	13,702,528	-
Unfunded OPEB obligation	1,394,418	-	32,646	1,361,772	-
Governmental activities long-term debt	$ 82,843,456	$ 15,241,881	$ 8,120,400	$ 89,964,937	$ 7,515,052
Business-type activities					
Water and sewer revenue bonds	$ 25,330,000	$ -	$ 2,115,000	$ 23,215,000	$ 2,185,000
General obligation bonds	13,926,538	-	1,233,491	12,693,047	1,502,041
Certificates of obligation	225,000	-	225,000	-	-
Capital leases	3,419,277	1,237,191	934,704	3,721,764	948,140
Bond premiums	2,565,541	-	431,429	2,134,112	-
Compensated absences	128,994	10,085	16,716	122,363	10,562
Net pension liability	604,239	591,946	-	1,196,185	-
Unfunded OPEB obligation	169,202	-	4,183	165,019	-
Business-type activities long-term debt	$ 46,368,791	$ 1,839,222	$ 4,960,523	$ 43,247,490	$ 4,645,743

NOTE 8. LONG-TERM DEBT – CONTINUED

For the governmental activities, the net pension liability and the other post-employment benefit obligation are generally liquidated by the General Fund.

Long-term debt for governmental activities at September 30, 2016 includes the following individual issues:

	Original Issue Amount	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Governmental activities					
General obligation bonds:					
2010 Refunding	10,825,000	2.00-3.00	2/15/22	$ 5,795,000	$1,060,000
2011 Refunding	7,860,000	2.00-4.00	2/15/23	5,750,000	1,055,000
2012 Refunding	6,271,149	2.00-5.00	2/15/29	5,126,953	562,959
2013 Refunding	7,385,000	2.50-5.00	2/15/25	7,220,000	-
2014 Refunding	3,750,000	3.00-4.40	8/15/39	3,555,000	100,000
2015 Refunding and improvements	29,460,000	3.00-5.00	2/15/35	27,315,000	3,125,000
2016 Various purpose	4,105,000	4.00 - 5.00	2/15/36	4,105,000	-
				58,866,953	5,902,959
Combination tax and revenue certificates of obligation:					
2015 Various purpose	2,885,000	3.00 - 4.00	2/15/30	2,700,000	155,000
				2,700,000	155,000
Tax notes					
2015 Tax note	1,235,000	0.63 - 2.02	2/15/22	1,070,000	175,000
Total governmental activities long-term bonded debt				62,636,953	6,232,959
Plus:					
Premiums and discounts				4,983,517	-
Net government activities long-term bonded debt				$ 67,620,470	$6,232,959

NOTE 8. LONG-TERM DEBT – CONTINUED

Long-term debt for business activities at September 30, 2016 includes the following individual issues:

	Original Issue Amount	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Business-type activities					
Utility system revenue bonds:					
2012 Various purpose	8,525,000	2.00-3.50	3/1/32	$ 7,170,000	$ 360,000
2014 Various purpose	4,825,000	1.00-4.00	3/1/34	4,490,000	180,000
2015 Refunding	12,330,000	1.50-5.00	3/1/26	11,555,000	1,645,000
				23,215,000	2,185,000
General obligation bonds:					
2011 Refunding	1,140,000	2.00-4.00	2/15/23	665,000	125,000
2012 Refunding	10,883,851	2.00-5.00	2/15/29	8,898,047	977,041
2013 Refunding	525,000	3.00-3.00	2/15/18	350,000	170,000
2015 Refunding	2,780,000	3.00-5.00	2/15/26	2,780,000	230,000
				12,693,047	1,502,041
Total business-type activities long-term bonded debt				35,908,047	3,687,041
Plus:					
Premiums and discounts				2,134,112	-
Net business-type activities long-term bonded debt				$ 38,042,159	$3,687,041

The annual requirements to amortize general and certificates of obligations bonds as of September 30, 2016 are summarized below:

	General and Certificates of Obligation Bonds					
Year Ended	Governmental Activities			Business-type Activities		
September 30,	Principal	Interest	Total	Principal	Interest	Total
2017	$ 6,232,959	$ 2,530,503	$ 8,763,462	$ 1,502,041	$ 500,017	$ 2,002,058
2018	6,108,066	2,288,842	8,396,908	1,561,935	449,833	2,011,768
2019	5,924,516	2,031,109	7,955,625	1,430,485	398,646	1,829,131
2020	5,819,138	1,779,851	7,598,989	1,475,862	348,426	1,824,288
2021	5,757,899	1,530,582	7,288,481	1,502,101	291,571	1,793,672
2022-2026	20,964,753	4,470,832	25,435,585	5,195,247	485,409	5,680,656
2027-2031	6,319,622	1,987,513	8,307,135	25,376	1,237	26,613
2032-2036	4,835,000	704,788	5,539,788	-	-	-
2037-2039	675,000	59,958	734,958	-	-	-
Total	$ 62,636,953	$ 17,383,978	$ 80,020,931	$ 12,693,047	$ 2,475,139	$ 15,168,186

NOTE 8. LONG-TERM DEBT – CONTINUED

The annual requirements to amortize water and sewer revenue bonds as of September 30, 2016 are summarized below:

Year Ended September 30,	Water and Sewer Revenue Bonds		
	Principal	Interest	Total
2017	$ 2,185,000	$ 780,325	$ 2,965,325
2018	1,975,000	712,650	2,687,650
2019	2,050,000	639,175	2,689,175
2020	1,845,000	577,463	2,422,463
2021	1,560,000	531,706	2,091,706
2022-2026	8,120,000	1,807,009	9,927,009
2027-2031	3,935,000	656,109	4,591,109
2032-2034	1,545,000	69,900	1,614,900
Total	$ 23,215,000	$ 5,774,337	$ 28,989,337

As of September 30, 2016, the City had authorized but unissued general obligation bonds outstanding as follows:

Date	Purpose	Amount Authorized	Previously Issued	Unissued Balance
5/19/2015	Streets	$ 18,932,340	$ 10,565,000	$ 8,367,340
5/19/2015	Parks and recreation	4,206,110	2,392,500	1,813,610
5/19/2015	Public safety	2,631,050	1,635,000	996,050
		$ 25,769,500	$ 14,592,500	$ 11,177,000

Bond Issuances

On December 1, 2015, the City issued “City of Rowlett Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2015,” totaling $2,885,000 to finance the design, construction, engineering and equipping of improvements to the City’s public safety radio system. These bonds incur an average cost over the life of the bonds at a rate of 3.00-4.00% and mature annually with semi-annual interest payments. The bonds will fully mature in 2030.

On July 15, 2016, the City issued “City of Rowlett General Obligation Bonds, Series 2016,” totaling $4,105,000 to finance the construction and improvement of City streets, municipal park and recreation facilities, and equipment of public safety facilities. These bonds incur an average cost over the life of the bonds at a rate of 4.00-5.00% and mature annually with semi-annual interest payments. The bonds will fully mature in 2036.

NOTE 8. LONG-TERM DEBT – CONTINUED

Revenue Bonds

Revenue Bonds are used to finance the acquisition of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system, second to establish and maintain the debt service fund and third to establish and maintain a required reserve fund. Any net revenues remaining may be used for any lawful purpose. For fiscal year 2016, net revenue available for debt service was 4.71 times the average annual debt service requirement. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain required amounts and certain financial ratios are met.

Compliance with Debt Covenants

At September 30, 2016, and for the year then ended, the City was in compliance with all financial bond covenants on outstanding revenue and general obligation bonded debt.

Conduit Debt

On August 1, 2006, the City of Rowlett, along with three other cities and Rockwall County, approved an agreement with the Rockwall County Emergency Services Corporation (RESC) to construct a firearms training facility in an aggregate principal amount not to exceed $2,925,000. Under the terms of the agreement, each jurisdiction's debt service liability, as well as an operations component, would be based proportionately upon the number of Authorized Personnel (i.e. active certified peace officers) as of April 1st of the preceding fiscal year. On August 23, 2006, the RESC issued $2,700,000 in contract revenue bonds with a ten year maturity. Based on Rowlett's Authorized Personnel count as of April 1, 2006, the City's initial anticipated annual payments under the agreement ranges from $104,676 to $106,272 but may vary from year to year under the terms of the agreement. On June 28, 2011, the RESC refunded the original 2006 bonds and issued additional contract revenue bonds totaling $415,000 for necessary structural improvements.

NOTE 8. LONG-TERM DEBT – CONTINUED

Conduit Debt – Continued

During the current year the City paid $116,882 as its final annual obligation under this agreement. As of September 30, 2016, the outstanding balance was $0. The City has no obligation for this debt beyond the resources provided by this agreement. The City will continue to share the operating expenses of the facility based on the authorized personnel count.

Capital Leases

In January 2016, the City entered into an agreement with US Bancorp Government Leasing and Financing, Inc. to purchase water meters and parts, haul trucks and a trailer. The agreement is for an approximate sixty-six month term based on delivery of equipment and expires on July 15, 2020. Payments are $132,968 annually and carry an effective interest rate of 1.645%.

In January 2016, the City entered into an agreement with US Bancorp Government Leasing and Financing, Inc. to purchase a patch truck, backhoes, and a Gradall excavator. The agreement is for an approximate ninety month term based on delivery of equipment and expires on July 15, 2022. Payments are $116,620 annually and carry an effective interest rate of 1.905%.

The City previously entered into an agreement with US Bancorp Government Leasing and Financing, Inc. to purchase fire trucks. The agreement is for ten annual payments and expires on November 1, 2024. Payments are $198,831 annually and carry an effective interest rate of 2.01%.

The City previously entered into an agreement with Clayton Holdings, L.L.C. to purchase fire protective clothing and bunker gear. The agreement is for five annual payments and expires on July 10, 2019. Payments are $49,706 annually and carry an effective interest rate of 1.57%.

The City previously entered into an agreement with Clayton Holdings, L.L.C. to purchase a fuel management system. The agreement is for seven annual payments and expires on July 10, 2021. Payments are $15,339 annually and carry an effective interest rate of 1.79%.

The City previously entered into an agreement with Clayton Holdings, L.L.C. to purchase water meters. The agreement is for five annual payments and expires on July 10, 2019. Payments are $54,670 annually and carry an effective interest rate of 1.56%.

NOTE 8. LONG-TERM DEBT – CONTINUED

Capital Leases – Continued

The City previously entered into an agreement with Whitney Bank to purchase three maintenance trucks. The agreement is for seven annual payments and expires on August 22, 2021. Payments are $110,546 annually and carry an effective interest rate of 1.632%.

The City previously entered into an agreement with SunTrust Leasing Corporation to purchase an enterprise resource planning system. The agreement is for an approximate 75 month term based on delivery of the equipment and expires on August 15, 2020. Payments are $126,327 annually and carry an effective interest rate of 1.82%.

The City previously entered into an agreement with Pinnacle Public Finance Inc. to purchase a self-contained breathing apparatus. The agreement is for an approximate 108 month term based on delivery of the equipment and expires on October 31, 2023. Payments are $44,683 annually and carry an effective interest rate of 2.63%.

The City previously entered into an agreement with Pinnacle Public Finance Inc. to purchase two ambulances and a payroll system. Both agreements are for approximate 48 month terms based on delivery of the equipment and both expire on October 31, 2018. Payments are $75,430 and $76,350, respectively, annually and carry an effective interest rate of 2.00%.

The City previously entered into an agreement with SunTrust Leasing Corporation to purchase water meters. The agreement is for an approximate 50 month term based on delivery of the equipment and expires on October 15, 2018. Payments are $89,035 annually and carry an effective interest rate of 1.38%.

The City previously entered into an agreement with Clayton Holdings to purchase a diesel chassis with crane. The agreement is for an approximate 72 month term based on delivery of the equipment and expires on December 17, 2018. Payments are $22,824 annually and carry an effective interest rate of 1.61%.

The City previously entered into an agreement with US Bancorp to purchase pipe bursting equipment. The agreement is for an approximate 48 month term based on delivery of the equipment and expires on August 22, 2017. Payments are $52,893 annually and carry an effective interest rate of 1.51%.

The City previously entered into an agreement with Key Government Finance to purchase IT equipment. The agreement is for an approximate 48 month term based on delivery of the equipment and expires on July 1, 2017. Payments are $127,039 annually and carry an effective interest rate of 0%.

NOTE 8. LONG-TERM DEBT – CONTINUED

Capital Leases – Continued

The City previously entered into an agreement with BB&T to purchase servers, software, and equipment. The agreement is for an approximate 48 month term based on delivery of the equipment and expires on September 15, 2017. Payments are $102,124 annually and carry an effective interest rate of 1.46%.

The City previously entered into an agreement with BB&T to purchase a diesel chassis. The agreement is for an approximate 57 month term based on delivery of the equipment and expires on October 15, 2016. Payments are $28,602 annually and carry an effective interest rate of 1.75%.

The City previously entered into an agreement with Capital One to purchase police and fire software. The agreement is for a nine year term based on delivery of the equipment and expires on September 30, 2020. Payments are $80,085 annually and carry an effective interest rate of 2.58%.

The City previously entered into an agreement with BB&T to purchase a jet truck. The agreement is for a six year term based on delivery of the equipment and expires on November 30, 2016. Payments are $38,227 annually and carry an effective interest rate of 2.34%.

The City previously entered into an agreement with BB&T to purchase roller, loader, dump trucks. The agreement is for a six year term based on delivery of the equipment and expires on November 30, 2016. Payments are $43,009 annually and carry an effective interest rate of 2.34%.

The City previously entered into an agreement with SunTrust Equipment Finance & Leasing Corp. to purchase two fire trucks. The agreement is for an approximate 110 month term based on delivery of the equipment and expires on October 31, 2019. Payments are $99,888 annually and carry an effective interest rate of 2.77%.

The City previously entered into an agreement with SunTrust Equipment Finance & Leasing Corp. in 2005 totaling $5,183,559 to replace its water meter system and for various facility improvements. The agreement is for a fifteen year term expiring on July 10, 2020. Payments are made quarterly, ranging from $108,000 to $128,000 and carries an effective interest rate of 3.99%. Responsibility for repaying the debt is split between the General Fund and Water and Sewer Fund at 9.5% and 90.5% respectively.

NOTE 8. LONG-TERM DEBT – CONTINUED

Capital Leases – Continued

The assets acquired through capital leases are as follows:

	Water and Sewer	Governmental Activities	Total
Asset:			
Motor vehicles	$ 1,161,946	$ 3,545,208	$ 4,707,154
Machinery and equipment	6,284,952	3,750,254	10,035,206
Less: accumulated depreciation	(4,114,513)	(2,394,956)	(6,509,469)
Total	$ 3,332,385	$ 4,900,506	$ 8,232,891

Pursuant to the terms of the capital lease agreements, the following schedule represents the net present value of these minimum lease payments as of September 30:

Year Ending September 30,	Water and Sewer	Governmental Activities	Total
2017	$ 1,042,894	$ 1,116,357	$ 2,159,251
2018	930,270	837,088	1,767,358
2019	930,270	836,304	1,766,574
2020	763,740	568,473	1,332,213
2021	201,942	284,079	486,021
2022-2025	91,395	954,598	1,045,993
Total minimum lease payments	3,960,511	4,596,899	8,557,410
Less: amount representing interest	(238,747)	(325,342)	(564,089)
Present value of minimum lease payments	$ 3,721,764	$ 4,271,557	$ 7,993,321

Special Assessment Bonds

The government also issued special assessment debt in 2016 to provide funds for the cost of acquisition and construction of certain improvement projects and related debt issuance reserves and costs pertaining to the North Improvement Area of the Bayside Public Improvement District. These bonds will be repaid from amounts levied against property owners benefitted by this construction. Those amounts, including interest are 100 percent pledged to pay the scheduled principal and interest payments on the special assessment bonds. The bonds are secured by and payable from a first lien on and pledge of the Trust Estate. The bonds have a stated rate of interest of 4.90 - 6.00 percent and are payable over the next 26 years.

Sale Date	Original Borrowing	Interest Rate	Maturity Date	Outstanding
3/15/2016	$13,515,000	4.90 - 6.00	9/15/2046	$13,515,000

NOTE 9. INSURANCE

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the City purchased commercial insurance from Texas Municipal League (TML), a public entity risk pool, to cover these general liabilities, including worker's compensation. Both TML and the City purchased reinsurance and do not retain the entire risk of loss.

Policy	Retention	Limits of Liability
General Liability	$2,500 per occurrence	$2,000,000 per occurrence and $4,000,000 policy aggregate
Law Enforcement Liability & Errors and Omissions	$10,000 per occurrence	$3,000,000 per occurrence and $6,000,000 policy aggregate
Worker's Compensation	$0 per occurrence	Statutory
Property Loss	$1,000 per occurrence	$95,876,458
Automobile Liability	$2,500 per occurrence	$1,000,000 per occurrence and $25,000 each person
Automobile Physical Damage	$10,000 per occurrence $500 each vehicle	Agreed value as scheduled

The City maintains a self-insurance program for health insurance. Group medical benefits are paid from the Self-Insurance Fund (Internal Service Fund), which has an annually negotiated stop loss provision through Aetna. Revenues are recognized from payroll deductions from employee dependent coverage and from City contributions for employee coverage. The liabilities for insurance claims reported in the City's Self-Insurance Fund is based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported (IBNR) claims. Change in the fund's claim liability in fiscal year 2016 and 2015 is as follows:

Fund		Liability, Beginning of year	Current year Claims and Changes in Estimates	Claim Payments	Liability, End of year
Self-Insurance	**2016**	$284,472	$3,742,486	$3,627,891	$399,067
Self-Insurance	**2015**	$272,040	$2,757,624	$2,745,192	$284,472

For all insurance categories, there were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

NOTE 10. INTERFUND TRANSACTIONS

The City makes transfers between its funds for several reasons. General and administrative (indirect) costs are allocated between operating funds, such as the General Fund and Water and Sewer Fund, to recover overhead and administrative cost of service performed by one fund for the benefit of another. The amounts transferred represent the net balance due between the funds based on the services provided. Payments in lieu of property taxes are paid by the Water and Sewer Fund to the General Fund. This fee is calculated at the same rate as the City's approved property tax rate per $100 of assessed valuation based on the Water and Sewer Fund's capital assets

A transfer from the Water and Sewer Fund to the General Fund is made for payment in lieu of franchise fees and represents similar charges paid by electric, gas, and cable and telecommunication franchises for use of City rights-of-way. This fee is calculated as 5% of gross revenues less interest earnings. The Refuse Fund transfers funds to cover the cost of alley repairs and improvements to the Capital Projects Fund. Finally, the General Fund and Water and Sewer Fund each share the costs of Economic Development activities reported in the General Fund.

Due to and due from other funds at the fund level, as of September 30, 2016, were as follows:

	Due to		
	General Fund	Capital Projects Fund	Total
Due from			
Nonmajor governmental funds	$ 51,397	$ 375,735	$ 427,132

NOTE 10. INTERFUND TRANSACTIONS – CONTINUED

The detail transfer schedule for the year ended September 30, 2016 was as follows:

Transfers from	Transfer to	Amount	Reason for Transfer
General	Capital projects	$ 1,897,176	Cash fund capital projects
	Debt service	254,341	Debt service payments
	Nonmajor governmental	32,000	Reclass eligible costs
Capital projects	Nonmajor governmental	187,000	Reclass eligible costs
Nonmajor governmental	General	211,380	Economic development payments
	General	45,519	Reclass eligible costs
Water and sewer	General	1,388,724	Franchise fee payments
	General	824,316	In-lieu of property taxes
Drainage	Capital projects	99,996	Cash fund capital projects
Refuse	Capital projects	800,004	Cash fund capital projects
	Debt service	240,396	Debt service payments
		$ 5,980,852	

NOTE 11. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is administered by ICMA Retirement Corporation (IMCA) and contributions are voluntary. All amounts of compensation under this plan are placed into investment pools administered by ICMA. The plan, available to all regular employees, permits them to defer until future years up to 100% of compensation, not to exceed $18,000 ($24,000 if over age 50) per year. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City has amended its deferred compensation plans to conform with the requirements of subsection (g) of IRC Section 457 making all assets and income of the plans to be held in trust for the exclusive benefit of participants and beneficiaries. In accordance with GASB Statement No. 32, the City's Deferred Compensation Plan is no longer included in the financial statements of the City.

NOTE 12. POST-EMPLOYMENT BENEFITS

Post-retirement Health Care Benefits

The City offers its retired employees health insurance benefits through a single-employer defined benefit OPEB plan, under City policy. The benefit plan was established by the City in 2002 and last amended in 2005. No separate pension plan report is issued. This plan is administered by the City and no separate audited financial statements are available.

NOTE 12. POST-EMPLOYMENT BENEFITS – CONTINUED

Post-retirement Health Care Benefits – Continued

Retired employees who have satisfied the retirement requirement as defined by the Texas Municipal Retirement System (TMRS) are eligible to participate. The City has elected the retirement requirement as any age with 20 years of service or 5 years of service for age 60 and above. Retirees under 65 retiring under the TMRS system are eligible to receive premium payments of individual (not dependent) health insurance benefits for a period of time equal to one month for every full year of service with the City. Employees are eligible immediately upon retirement and the eligibility only runs from the retirement date. Active employees do not contribute any of their wage toward retiree health care benefits. The City pays the employee-only premium for medical coverage, based on the City's Core Medical Plan Option. Retired employees are required to pay 100% of any additional premium expense for health benefits purchased upon retirement.

Spouse and eligible dependents are eligible to continue to purchase health benefits per Chapter 175 provisions. The City does not pay any portion of spouse or dependent medical coverage.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City implemented the provisions of GASB 45 for the fiscal year ending September 30, 2009, as required by GASB. The City's annual OPEB cost for the current year and the related information is listed below:

Annual required contribution (ARC)	$	343,829
Interest net OPEB obligation		105,544
Adjustment to the ARC		(110,860)
Annual OPEB cost		338,513
Employer contribution		(375,342)
Increase in net OPEB obligation		(36,829)
Net OPEB obligation, beginning of year		1,563,620
Net OPEB obligation, end of year	$	1,526,791

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years follow:

NOTE 12. POST-EMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

Fiscal Year Ended	OPEB Cost	Employer Contribution	Percentage Contributed	OPEB Obligation
9/30/14	$ 406,212	$ 165,789	40.81%	$ 1,364,268
9/30/15	419,082	219,730	52.43%	1,563,620
9/30/16	338,513	375,342	110.88%	1,526,791

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Fiscal Year	Covered Payroll
12/31/13	-	3,432,848	3,432,848	0.0%	2014	19,564,830
12/31/13	-	3,432,848	3,432,848	0.0%	2015	21,685,946
12/31/15	228,273	3,309,891	3,081,618	6.9%	2016	22,428,002

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefit provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuation date	December 31, 2013	December 31, 2015
Actuarial cost method	Projected unit credit	Entry age
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	30 years; open	25 years; closed
Asset valuation method	Market value	Market value
Actuarial assumption:		
Investment rate of return	4.50%	6.75%
Payroll growth rate	3.00%	1.50%
General inflation rate	3.00%	2.50%

NOTE 13. COMMITMENTS AND CONTRACTS

The City has several long-term agreements with significant commitments as follows:

A. North Texas Municipal Water District Water Purchase Agreement – The City has a long-term contract with the North Texas Municipal Water District for the purchase of treated water. The original contract for water is dated June 3, 1965, and is for a period of 40 years. An amendatory contract was approved May 3, 1994 to extend the contract for a period of 30 years from the date of this amendment. Over the years, the contract has been amended to provide for additional services as the City has grown. Currently, the City receives water at three take points. For the year ended September 30, 2016, the City contracted for an annual requirement of 3,192,039,000 gallons. The actual amount of water taken was 2,616,367,000 gallons.

B. City of Garland Sewage Treatment Agreement – The City entered into a contract with the City of Garland for sewage treatment effective April 2, 1991, which was later amended on June 8, 1994. Payments are determined based on actual metered flows into the City of Garland's treatment facility. No minimum payments are required. Rates are reviewed yearly and adjusted under the terms of the contract. The contract is in force until April 1, 2020.

C. Solid Waste Disposal Contract – In May 2012, the City contracted with Waste Management to provide collection of refuse and recyclable materials within the corporate limits of the City. The initial contract is for a period of five years beginning October 1, 2012, and shall automatically extend for one successive five-year term unless either party terminates the contract in writing. Collection rates may be adjusted yearly based upon the terms of the contract. An administrative fee assessed by the City is retained in the Enterprise Fund as a charge for service.

D. The City is involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of City officials and management, will have complex material effect on the City's financial position.

E. The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, disallowed cash, if any, would not be material.

F. As discussed in Note 1, Encumbrances, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General fund	$	503,421
Capital projects fund		5,152,001
Nonmajor governmental funds		1,853,809
Total	$	7,509,231

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement are effective for financial statements beginning after June 15, 2016.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The requirements of this Statement are effective for financial statements beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78. *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 81. *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016.

Statement No. 82. *Pensions Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 83, *Certain Asset Retirement Obligations***.** The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

REQUIRED
SUPPLEMENTARY INFORMATION
(UNAUDITED)

CITY OF ROWLETT, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 20,732,585	$ 20,732,585	$ 20,154,821	$ (577,764)
Sales	6,251,617	6,251,617	6,705,320	453,703
Other	59,511	59,511	81,416	21,905
Franchise fees	3,093,891	3,093,891	2,976,337	(117,554)
Licenses and permits	964,281	964,281	1,263,927	299,646
Charge for services	3,005,066	3,005,066	3,007,143	2,077
Fines and forfeitures	1,035,625	1,035,625	892,195	(143,430)
Intergovernmental	228,554	228,554	243,541	14,987
Interest	57,255	57,255	70,625	13,370
Miscellaneous	947,500	947,500	1,105,566	158,066
Total revenues	36,375,885	36,375,885	36,500,891	125,006
EXPENDITURES				
Current operating:				
General government	3,570,357	3,872,172	3,371,614	500,558
Public safety	20,743,643	20,648,894	20,314,704	334,190
Public works	2,928,377	2,906,923	2,811,720	95,203
Culture and recreation	5,011,274	4,921,461	4,590,530	330,931
Development	2,180,395	2,142,845	2,154,699	(11,854)
Debt service:				
Principal retirement	1,086,357	1,086,357	1,193,012	(106,655)
Interest and fiscal charges	103,693	103,693	103,693	-
Capital outlay	978,130	1,572,925	1,659,338	(86,413)
Total expenditures	36,602,226	37,255,270	36,199,310	1,055,960
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(226,341)	(879,385)	301,581	1,180,966
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	165,354	165,354
Transfers from other funds	2,371,256	2,213,034	2,469,939	256,905
Transfers to other funds	(2,052,169)	(2,155,169)	(2,183,517)	(28,348)
Proceeds from sale of assets	-	-	8,695	8,695
Total other financing sources (uses)	319,087	57,865	460,471	402,606
CHANGE IN FUND BALANCE	92,746	(821,520)	762,052	1,583,572
TOTAL FUND BALANCE, BEGINNING	7,147,882	7,147,882	7,147,882	-
TOTAL FUND BALANCE, ENDING	$ 7,240,628	$ 6,326,362	$ 7,909,934	$ 1,583,572

See accompanying notes to required supplementary information.

CITY OF ROWLETT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2014*	2015*
Total pension liability		
Service cost	$ 3,106,700	$ 3,555,319
Interest (on the total pension liability)	6,620,134	7,030,685
Changes in benefit terms	-	-
Difference in expected and actual experience	(1,127,265)	253,140
Change in assumptions	-	1,366,618
Benefit payments, including refunds of employee contributions	(2,737,302)	(3,180,434)
Net change in total pension liability	5,862,267	9,025,328
Total pension liability, beginning of year	94,388,644	100,250,911
Total pension liability, ending of year	$ 100,250,911	$ 109,276,239
Plan fiduciary net position		
Contributions -employer	$ 2,683,946	$ 2,843,382
Contributions -employee	1,398,930	1,524,019
Net investment income	4,970,464	137,446
Benefit payments, including refunds of employee contributions	(2,737,302)	(3,180,434)
Administrative expense	(51,890)	(83,712)
Other	(4,266)	(4,134)
Net change in plan fiduciary net position	6,259,882	1,236,567
Plan fiduciary net position - beginning	86,881,077	93,140,959
Plan fiduciary net position - ending	$ 93,140,959	$ 94,377,526
Net pension liability - ending	$ 7,109,952	$ 14,898,713
Plan fiduciary net position as a % of total pension liability	92.91%	86.37%
Covered employee payroll	$ 19,984,712	$ 21,771,702
Net pension liability as a % of covered employee payroll	35.58%	68.43%

* The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF ROWLETT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2015*	2016*
Actuarially determined contributions	$ 2,852,497	$ 2,821,242
Actual contributions	(2,852,497)	(2,821,242)
Contributions deficiency (excess)	$ -	$ -
City covered employee payroll	$ 21,685,946	$ 22,428,002
Ratio of actual contributions to covered payroll amount	13.15%	12.58%

* The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule

Valuation Date — Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information — There were no benefit changes during the year.

CITY OF ROWLETT, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. BASIS OF BUDGETING

The Budgetary Comparison Schedule, included in Required Supplemental Schedules, presents a comparison of budgetary data to actual results of operations for the General Fund in which an annual operating budget was legally adopted. This schedule utilizes the same basis of accounting for both budgetary purposes and actual results.

Rebuild
Rowlett
Rowlett
TEXAS

OTHER SUPPLEMENTARY INFORMATION

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 7,506,895	$ 7,506,895	$ 7,319,057	$ (187,838)
Interest	5,130	5,130	9,817	4,687
Miscellaneous	-	-	4,354	4,354
Total revenues	7,512,025	7,512,025	7,333,228	(178,797)
EXPENDITURES				
Current operating:				
General government	61,655	106,250	55,671	50,579
Public safety	116,882	116,882	116,882	-
Debt service:				
Principal retirement	5,896,509	6,081,509	6,081,509	-
Interest and fiscal charges	2,476,971	2,533,040	2,537,012	(3,972)
Total expenditures	8,552,017	8,837,681	8,791,074	46,607
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,039,992)	(1,325,656)	(1,457,846)	(132,190)
OTHER FINANCING SOURCES				
Transfers from other funds	485,383	485,383	494,737	9,354
Total other financing sources	485,383	485,383	494,737	9,354
CHANGE IN FUND BALANCES	(554,609)	(840,273)	(963,109)	(122,836)
FUND BALANCES, BEGINNING	992,113	992,113	992,113	-
FUND BALANCES, ENDING	$ 437,504	$ 151,840	$ 29,004	$ (122,836)

CITY OF ROWLETT, TEXAS
DESCRIPTION OF SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for particular purposes. Individual funds maintained are as follows:

Impact Fees Fund – to account for street impact and park prorate fees on new development. These funds are limited to capital improvements based on an approved plan.

Police Seizure Fund – to account for funds awarded as a result of court forfeitures of contraband pursuant to the Texas Code of Criminal Procedure. The law provides for a special fund to be established and to be used solely for law enforcement purposes.

Traffic Safety Fund – to account for revenues and expenditures related to red light camera fines. The revenues may be disbursed only as established by law, for the costs of operating the program, then to be split between the State of Texas and the City of Rowlett for traffic safety purposes.

Court Fees Fund – to account for revenue generated on court fines for the purpose of paying salary and benefits for a juvenile case manager, acquiring qualifying technology for the municipal court, and for the purpose of providing security services for the municipal court, as allowed under Article 102 of the Texas Code of Criminal Procedure.

Grant Fund – to account for funds awarded to the City by various federal or state agencies. This fund includes funds granted to the City by the U.S. Department of Housing and Urban Development (HUD) under their community development block grant (CDBG) programs, other public safety grants, and library grants.

TIF Fund – to account for property taxes on improvements in the City's Tax – Increment Financing Reinvestment Zone Number One. These funds may only be used for capital improvements within the zone, which generally follows the President George Bush Turnpike corridor.

Disaster Fund – to account for revenues and expenditures related to unexpected natural disasters.

PID Fund – to account for the activity of the Public Improvement District created by the City.

Other Special Revenue Fund – to account for funds received from a tax on the cost of occupancy in hotels and motels within the City limits of Rowlett and revenues received for public access television (PEG fees). The hotel/motel tax funds may only be utilized to promote tourism and the convention and hotel industry. The PEG fees collected may only be utilized for the operation of public, educational, and government access channels.

CITY OF ROWLETT, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
ASSETS			
Cash, cash equivalents and investments	$ 2,552,904	$ 288,259	$ 45,275
Receivables (net of allowance for uncollectibles):			
Taxes	-	-	-
Accrued interest	1,824	-	36
Other	-	-	-
Due from other governments	-	-	-
Prepaid and other items	-	215	-
Total assets	$ 2,554,728	$ 288,474	$ 45,311
LIABILITIES			
Accounts payable	61,260	10,300	19,300
Retainage payable	-	-	-
Accrued liabilities	-	13,211	-
Unearned revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	61,260	23,511	19,300
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - grants	-	-	-
Unavailable revenue - other (court fines)	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Nonspendable - Prepaid items	-	215	-
Restricted for:			
Debt service	-	-	-
Capital projects	2,493,468	-	-
Public safety	-	264,748	26,011
Economic development	-	-	-
Public broadcasting	-	-	-
Unassigned	-	-	-
Total fund balances	2,493,468	264,963	26,011
Total liabilities and fund balances	$ 2,554,728	$ 288,474	$ 45,311

Special Revenue						Total Governmental Funds
Court Fees	Grant	TIF	Disaster	PID	Other	
$ 179,282	$ -	$ 1,013	$ -	$ 165,812	$ 363,557	$ 3,596,102
-	-	-	-	-	7,480	7,480
140	-	1	-	67	229	2,297
864	-	-	-	-	41,470	42,334
-	94,896	-	291,238	-	-	386,134
-	30	-	-	-	248	493
$ 180,286	$ 94,926	$ 1,014	$ 291,238	$ 165,879	$ 412,984	$ 4,034,840
10,980	4,054	-	355,757	-	31,126	492,777
-	-	-	43,488	-		43,488
1,492	11,358	-	487	-	-	26,548
-	24,515	-	-	165,242	-	189,757
-	51,397	-	375,735	-	-	427,132
12,472	91,324	-	775,467	165,242	31,126	1,179,702
-	4,421	-	-	-	-	4,421
864	-	-	-	-	-	864
864	4,421	-	-	-	-	5,285
-	30	-	-	-	248	493
-	-	1,014	-	-	-	1,014
-	-	-	-	637	-	2,494,105
166,950		-	-	-	-	457,709
-	-	-	-	-	82,140	82,140
-	-	-	-	-	299,470	299,470
-	(849)	-	(484,229)	-	-	(485,078)
166,950	(819)	1,014	(484,229)	637	381,858	2,849,853
$ 180,286	$ 94,926	$ 1,014	$ 291,238	$ 165,879	$ 412,984	$ 4,034,840

CITY OF ROWLETT, TEXAS
COMBINING STATEMENT OF REVEUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue		
	Impact Fees	Police Seizure	Traffic Safety
REVENUES			
Taxes:			
Other	$ -	$ -	$ -
Franchise fees	-	-	-
License and permits	958,097	-	-
Fines and forfeitures	-	88,269	-
Intergovernmental	-	-	-
Interest	13,267	-	253
Miscellaneous	155	-	-
Total revenues	971,519	88,269	253
EXPENDITURES			
Current operating:			
General government	19,470	-	-
Public safety	-	221,680	-
Culture and recreation	-	-	-
Capital outlay	108,117	25,797	-
Total expenditures	127,587	247,477	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	843,932	(159,208)	253
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	(211,380)	-	-
Total other financing sources (uses)	(211,380)	-	-
NET CHANGE IN FUND BALANCES	632,552	(159,208)	253
FUND BALANCES, BEGINNING	1,860,916	424,171	25,758
FUND BALANCES, ENDING	$2,493,468	$ 264,963	$ 26,011

Special Revenue						
Court Fees	Grant	TIF	Disaster	PID	Other	Total Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 93,788	$ 93,788
-	-	-	-	-	174,165	174,165
-	-	-	-	-	-	958,097
70,345	-	-	-	-	-	158,614
-	862,059	-	1,116,116	-	-	1,978,175
995	109	6	2,306	637	1,521	19,094
-	-	-	1,271,719	-	-	1,271,874
71,340	862,168	6	2,390,141	637	269,474	4,653,807
-	-	-	3,074,370	-	104,871	3,198,711
92,143	582,786	-	-	-	-	896,609
-	127,002	-	-	-	-	127,002
-	123,926	-	-	-	41,850	299,690
92,143	833,714	-	3,074,370	-	146,721	4,522,012
(20,803)	28,454	6	(684,229)	637	122,753	131,795
19,000	-	-	200,000	-	-	219,000
-	(45,519)	-	-	-	-	(256,899)
19,000	(45,519)	-	200,000	-	-	(37,899)
(1,803)	(17,065)	6	(484,229)	637	122,753	93,896
168,753	16,246	1,008	-	-	259,105	2,755,957
$ 166,950	$ (819)	$ 1,014	$ (484,229)	$ 637	$ 381,858	$ 2,849,853

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
IMPACT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
License and permits	$ -	$ -	$ 958,097	$ 958,097
Interest	-	-	13,267	13,267
Miscellaneous	-	-	155	155
Total revenues	-	-	971,519	971,519
EXPENDITURES				
General government	-	-	19,470	(19,470)
Capital outlay	-	-	108,117	(108,117)
Total expenditures	-	-	127,587	(127,587)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	843,932	843,932
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	-	(211,380)	(211,380)
Total other financing sources (uses)	-	-	(211,380)	(211,380)
CHANGE IN FUND BALANCES	-	-	632,552	632,552
FUND BALANCES, BEGINNING	1,860,916	1,860,916	1,860,916	-
FUND BALANCES, ENDING	$ 1,860,916	$ 1,860,916	$ 2,493,468	$ 632,552

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
POLICE SEIZURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	$ 100,000	$ 100,000	$ 88,269	$ (11,731)
Interest	550	550	-	(550)
Total revenues	100,550	100,550	88,269	(12,281)
EXPENDITURES				
Public safety	100,550	100,550	221,680	(121,130)
Capital outlay	37,500	37,500	25,797	11,703
Total expenditures	138,050	138,050	247,477	(109,427)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(37,500)	(37,500)	(159,208)	(121,708)
FUND BALANCES, BEGINNING	424,171	424,171	424,171	-
FUND BALANCES, ENDING	$ 386,671	$ 386,671	$ 264,963	$ (121,708)

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Interest	$ -	$ -	$ 253	$ 253
Total revenues	-	-	253	253
EXCESS OF REVENUES OVER EXPENDITURES	-	-	253	253
FUND BALANCES, BEGINNING	25,758	25,758	25,758	-
FUND BALANCES, ENDING	$ 25,758	$ 25,758	$ 26,011	$ 253

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
COURT FEES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Fines and forfeitures	$ 80,252	$ 80,252	$ 70,345	$ (9,907)
Interest	-	-	995	995
Total revenues	80,252	80,252	71,340	(8,912)
EXPENDITURES				
Public safety	106,284	106,284	92,143	14,141
Total expenditures	106,284	106,284	92,143	14,141
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(26,032)	(26,032)	(20,803)	5,229
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	19,000	19,000
Total other financing sources (uses)	-	-	19,000	19,000
CHANGE IN FUND BALANCES	(26,032)	(26,032)	(1,803)	24,229
FUND BALANCES, BEGINNING	168,753	168,753	168,753	-
FUND BALANCES, ENDING	$ 142,721	$ 142,721	$ 166,950	$ 24,229

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	$ 179,247	$ 179,247	$ 862,059	$ 682,812
Charges for services	327,220	327,220	-	(327,220)
Interest	-	-	109	109
Miscellaneous	29,414	29,414	-	(29,414)
Total revenues	535,881	535,881	862,168	326,287
EXPENDITURES				
Public safety	284,565	284,565	582,786	(298,221)
Public works	179,247	179,247	-	179,247
Culture and recreation	-	-	127,002	(127,002)
Capital outlay	75,000	75,000	123,926	(48,926)
Total expenditures	538,812	538,812	833,714	(294,902)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,931)	(2,931)	28,454	31,385
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	-	(45,519)	(45,519)
Total other financing sources (uses)	-	-	(45,519)	(45,519)
CHANGE IN FUND BALANCES	(2,931)	(2,931)	(17,065)	(14,134)
FUND BALANCE, BEGINNING	16,246	16,246	16,246	-
FUND BALANCE, ENDING	$ 13,315	$ 13,315	$ (819)	$ (14,134)

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Interest	$ -	$ -	$ 6	$ 6
Total revenues	-	-	6	6
CHANGE IN FUND BALANCES	-	-	6	6
FUND BALANCES, BEGINNING	1,008	1,008	1,008	-
FUND BALANCES, ENDING	$ 1,008	$ 1,008	$ 1,014	$ 6

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
DISASTER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ -	$ 1,116,116	$ 1,116,116
Interest	-	-	2,306	2,306
Miscellaneous	-	-	1,271,719	1,271,719
Total revenues	-	-	2,390,141	2,390,141
EXPENDITURES				
General government	-	-	3,074,370	(3,074,370)
Total expenditures	-	-	3,074,370	(3,074,370)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(684,229)	(684,229)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	200,000	200,000
Total other financing sources (uses)	-	-	200,000	200,000
CHANGE IN FUND BALANCES	-	-	(484,229)	(484,229)
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	$ -	$ -	$ (484,229)	$ (484,229)

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
PUBLIC IMPROVEMENT DISTRICT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Interest	$ -	$ -	$ 637	$ 637
Total revenues	-	-	637	637
CHANGE IN FUND BALANCES	-	-	637	637
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	$ -	$ -	$ 637	$ 637

CITY OF ROWLETT, TEXAS
BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Other taxes	$ 47,175	$ 47,175	$ 93,788	$ 46,613
Franchise fees	85,893	85,893	174,165	88,272
Interest	577	577	1,521	944
Total revenues	133,645	133,645	269,474	135,829
EXPENDITURES				
General government	129,671	129,671	104,871	24,800
Capital outlay	-	-	41,850	(41,850)
Total expenditures	129,671	129,671	146,721	(17,050)
EXCESS OF REVENUES OVER EXPENDITURES	3,974	3,974	122,753	118,779
FUND BALANCES, BEGINNING	259,105	259,105	259,105	-
FUND BALANCES, ENDING	$ 263,079	$ 263,079	$ 381,858	$ 118,779

STATISTICAL SECTION
(UNAUDITED)

Rebuild
Rowlett
Rowlett
TEXAS

STATISTICAL SECTION
(UNAUDITED)

Tables in the statistical section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the overall financial health of the City.

	Tables
Financial Trends These schedules contain trend information to help the reader understand how financial performance and well-being have changed over time.	1-4
Revenue Capacity These schedules contain trend information to help the reader access the City's most significant local revenue source, the property tax.	5-9
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	10-14
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	15-16
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	17-19

CITY OF ROWLETT, TEXAS
NET POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2016	2015	2014	2013
Governmental activities:				
Net investment in capital assets	$ 49,737,154	$ 49,251,730	$ 47,572,344	$ 38,863,695
Restricted	2,814,485	3,427,940	3,385,346	9,137,747
Unrestricted	3,122,284	1,526,343	3,796,330	5,469,081
Total governmental activities net position	$ 55,673,923	$ 54,206,013	$ 54,754,020	$ 53,470,523
Business-type activities:				
Net investment in capital assets	$ 67,798,118	$ 65,405,576	$ 64,531,695	$ 63,171,705
Restricted	3,841,031	2,392,009	2,093,242	2,197,202
Unrestricted	9,414,010	6,802,140	5,415,474	8,162,875
Total business-type activities net position	$ 81,053,159	$ 74,599,725	$ 72,040,411	$ 73,531,782
Primary government:				
Net investment in capital assets	$ 117,535,272	$ 114,657,306	$ 112,104,039	$ 102,035,400
Restricted	6,655,516	5,819,949	5,478,588	11,334,949
Unrestricted	12,536,294	8,328,483	9,211,804	13,631,956
Total primary government net position	$ 136,727,082	$ 128,805,738	$ 126,794,431	$ 127,002,305

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2012	**2011**	**2010**	**2009**	**2008**	**2007**
$ 31,916,791	$ 32,374,952	$ 33,070,231	$ 33,707,411	$ 40,312,017	$ 38,656,284
9,171,293	4,746,923	1,148,213	910,428	1,537,197	1,249,120
5,462,517	6,506,992	7,989,091	7,593,223	5,435,653	4,519,005
$ 46,550,601	$ 43,628,867	$ 42,207,535	$ 42,211,062	$ 47,284,867	$ 44,424,409
$ 62,576,970	$ 63,268,379	$ 64,417,014	$ 65,576,708	$ 63,829,157	$ 62,484,938
2,327,961	3,225,296	3,156,935	3,136,923	2,894,124	2,849,815
7,460,914	6,882,557	5,452,189	6,518,292	5,683,212	3,926,786
$ 72,365,845	$ 73,376,232	$ 73,026,138	$ 75,231,923	$ 72,406,493	$ 69,261,539
$ 94,493,761	$ 95,643,331	$ 97,487,245	$ 99,284,119	$ 104,141,174	$ 101,141,222
11,499,254	7,972,219	4,305,148	4,047,351	4,431,321	4,098,935
12,923,431	13,389,549	13,441,280	14,111,515	11,118,865	8,445,791
$ 118,916,446	$ 117,005,099	$ 115,233,673	$ 117,442,985	$ 119,691,360	$ 113,685,948

CITY OF ROWLETT, TEXAS
CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
Expenses	**2016**	**2015**	**2014**	**2013**
Governmental activities:				
General government	$ 8,661,210	$ 3,812,283	$ 3,743,246	$ 3,079,438
Public safety	23,496,850	21,682,963	20,994,087	19,791,298
Public works	10,171,825	12,001,156	12,040,271	11,690,444
Culture and recreation	5,517,845	5,210,607	5,152,775	5,100,405
Development	2,364,074	1,586,203	1,230,969	1,183,670
Interest and fiscal charges	2,312,864	2,731,650	3,407,157	2,848,832
Total governmental activities	52,524,668	47,024,862	46,568,505	43,694,087
Business-type activities:				
Water and sewer	25,018,832	22,361,784	23,176,635	21,215,288
Refuse	3,835,050	3,782,412	3,986,352	3,640,452
Drainage	1,780,188	2,008,406	1,980,987	1,865,797
Total business-type activities	30,634,070	28,152,602	29,143,974	26,721,537
Total primary government expenses	$ 83,158,738	$ 75,177,464	$ 75,712,479	$ 70,415,624
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 27,250	$ 36,452	$ 56,240	$ 90,267
Public safety	2,923,557	2,736,415	2,887,395	3,058,323
Public works	958,097	1,520,964	495,015	341,707
Culture and recreation	925,832	948,832	915,945	958,111
Development	1,706,037	1,229,248	977,198	860,925
Operating grants and contributions	2,035,858	520,843	418,983	817,022
Capital grants and contributions	1,851,705	1,715,530	3,878,487	6,735,636
Total governmental activities program revenues	10,428,336	8,708,284	9,629,263	12,861,991
Business-type activities:				
Charges for services:				
Water and sewer	26,561,193	26,596,651	24,659,862	25,341,837
Refuse	4,911,283	4,903,537	5,081,709	4,681,715
Drainage	1,320,362	1,337,982	1,331,572	1,328,989
Capital grants and contributions	7,202,846	2,723,019	621,061	938,393
Total business-type activities program revenues	39,995,684	35,561,189	31,694,204	32,290,934
Total primary government revenues	$ 50,424,020	$ 44,269,473	$ 41,323,467	$ 45,152,925
Net (expense)/revenue				
Governmental activities	$ (42,096,332)	$ (38,316,578)	$ (36,939,242)	$ (30,832,096)
Business-type activities	9,361,614	7,408,587	2,550,230	5,569,397
Total primary government net expense	$ (32,734,718)	$ (30,907,991)	(34,389,012)	(25,262,699)
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	$ 27,486,731	$ 25,608,764	$ 23,307,395	$ 23,290,763
Sales taxes	6,705,320	5,995,488	5,652,848	5,386,679
Other	175,204	146,741	130,138	112,300
Franchise fees	3,145,738	3,344,410	3,126,943	3,010,969
Investment earnings	141,019	66,264	57,205	44,492
Gain on sale/retirement of capital assets	-	779,237	-	-
Miscellaneous	2,556,794	1,229,112	1,582,041	1,458,515
Transfers (net)	3,353,436	4,441,008	4,366,169	4,448,300
Total governmental activities	43,564,242	41,611,024	38,222,739	37,752,018
Business-type activities:				
Investment earnings	60,724	71,562	61,476	24,148
Gain on sale/retirement of capital assets	371,220	-		-
Miscellaneous	13,312	(114,908)	263,092	20,692
Transfers (net)	(3,353,436)	(4,441,008)	(4,366,169)	(4,448,300)
Total business-type activities	(2,908,180)	(4,484,354)	(4,041,601)	(4,403,460)
Total primary government	$ 40,656,062	$ 37,126,670	$ 34,181,138	$ 33,348,558
Changes in Net Position				
Governmental activities	$ 1,467,910	$ 3,294,446	$ 1,283,497	$ 6,919,922
Business-type activities	6,453,434	2,924,233	(1,491,371)	1,165,937
Total primary government	$ 7,921,344	$ 6,218,679	$ (207,874)	$ 8,085,859

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2012	2011	2010	2009	2008	2007
$ 4,274,638	$ 5,043,354	$ 4,812,456	$ 5,235,080	$ 5,210,003	$ 6,463,416
20,456,358	20,077,172	20,243,476	19,372,690	19,026,455	19,064,945
13,472,469	12,320,408	12,747,289	12,719,561	8,819,541	13,357,060
4,975,355	4,796,472	5,138,905	4,926,422	5,388,160	6,102,323
881,385	726,014	844,980	1,219,772	1,229,275	1,476,900
2,888,071	3,445,261	3,562,170	4,088,968	4,473,104	4,825,639
46,948,276	46,408,681	47,349,276	47,562,493	44,146,538	51,290,283
20,275,313	19,715,254	19,292,984	18,502,215	19,065,087	19,136,724
3,316,080	3,280,511	2,676,412	1,607,736	1,692,004	1,604,017
2,091,605	1,669,999	3,242,101	3,286,924	3,251,155	2,940,905
25,682,998	24,665,764	25,211,497	23,396,875	24,008,246	23,681,646
$ 72,631,274	$ 71,074,445	$ 72,560,773	$ 70,959,368	$ 68,154,784	$ 74,971,929
$ 99,370	$ 617,922	$ 135,922	$ 99,906	$ 72,486	$ 67,617
3,205,317	1,808,112	3,959,096	3,466,449	3,591,329	3,089,141
285,290	116,950	20,962	87,594	211,128	265,677
871,538	2,659,906	1,588,866	1,627,643	1,115,647	1,185,071
641,890	565,001	386,696	504,544	567,913	696,991
901,055	963,803	484,634	347,925	518,835	578,571
6,748,657	2,687,884	1,532,660	175,032	2,306,004	469,433
12,753,117	9,419,578	8,108,836	6,309,093	8,383,342	6,352,501
22,507,769	23,592,840	21,550,266	20,570,813	19,553,413	18,951,024
4,484,110	4,457,857	1,361,162	1,276,659	951,715	929,773
1,300,878	1,301,172	4,484,338	4,493,083	4,246,481	4,054,166
145,204	560,473	20,612	63,966	2,359,949	616,691
28,437,961	29,912,342	27,416,378	26,404,521	27,111,558	24,551,654
$ 41,191,078	$ 39,331,920	$ 35,525,214	$ 32,713,614	$ 35,494,900	$ 30,904,155
$ (34,195,159)	$ (36,989,103)	$ (39,240,440)	$ (41,253,400)	$ (35,763,196)	$ (44,937,782)
2,754,963	5,246,578	2,204,881	3,007,646	3,103,312	870,008
$ (31,440,196)	$ (31,742,525)	$ (37,035,559)	$ (38,245,754)	$ (32,659,884)	$ (44,067,774)
$ 23,805,465	$ 23,967,737	$ 24,649,815	$ 25,255,663	$ 25,044,496	$ 23,758,243
4,894,006	5,767,527	6,228,228	5,666,751	5,882,325	6,230,025
48,186	124,748	59,934	110,778	121,242	120,329
3,127,383	3,214,049	2,767,064	2,881,223	3,014,846	3,393,874
76,604	165,926	231,809	702,090	1,570,639	3,242,124
-	-	-	-	-	-
1,248,881	171,306	674,907	633,877	1,039,438	939,421
3,916,368	4,999,142	4,625,155	929,213	1,447,292	3,732,003
37,116,893	38,410,435	39,236,912	36,179,595	38,120,278	41,416,019
53,767	102,658	214,489	746,997	1,488,934	2,411,495
-	-	-	-	-	-
97,251	-	-	-	-	-
(3,916,368)	(4,999,142)	(4,625,155)	(929,213)	(1,447,292)	(3,732,003)
(3,765,350)	(4,896,484)	(4,410,666)	(182,216)	41,642	(1,320,508)
$ 33,351,543	$ 33,513,951	$ 34,826,246	$ 35,997,379	$ 38,161,920	$ 40,095,511
$ 2,921,734	$ 1,421,332	$ (3,528)	$ (5,073,805)	$ 2,357,082	$ (3,521,763)
(1,010,387)	350,094	(2,205,785)	2,825,430	3,144,954	(450,500)
$ 1,911,347	$ 1,771,426	$ (2,209,313)	$ (2,248,375)	$ 5,502,036	$ (3,972,263)

CITY OF ROWLETT, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2016	**2015**	**2014**	**2013**
General fund				
Reserved	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-
Nonspendable:				
Inventories	69,008	87,466	47,986	54,199
Prepaid items	85,300	50,394	55,242	64,737
Restricted for:				
Capital projects	90,720	419,332	1,791,258	321,096
Assigned for:				
Economic development	802,739	877,378	302,712	305,589
Capital acquisition	16,463	88,910	107,488	364,692
Unassigned	6,845,704	5,624,402	5,473,122	6,065,516
Total general fund	$ 7,909,934	$ 7,147,882	$ 7,777,808	$ 7,175,829
All other governmental funds				
Reserved	$ -	$ -	$ -	$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable:				
Inventories	57,060	84,105	79,515	64,582
Prepaid items	493	9,549	14,336	10,775
Restricted for:				
Debt service	30,018	990,821	478,102	443,330
Capital projects	16,713,319	13,635,339	6,782,080	5,493,204
Public safety	457,709	627,877	1,156,528	1,551,418
Economic development	82,140	12,012	6,934	6,934
Public broadcasting	299,470	246,895	124,213	70,402
Assigned for:				
Capital acquisition	4,573,534	2,009,791	-	1,443,519
Unassigned	(485,078)	-	(519,010)	(115,543)
Total all other governmental funds	$ 21,728,665	$ 17,616,389	$ 8,122,698	$ 8,968,621

Note: The City adopted GASB Statement No. 54 which changed the classification of governmental fund balances to nonspendable, restricted, committed, assigned, and unassigned.
Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 3

2012	2011	2010	2009	2008	2007
-	-	725,269	432,360	186,401	334,908
-	-	6,752,718	4,846,923	3,220,176	2,723,433
146,989	86,016	-	-	-	-
15,700	73,555	-	-	-	-
280,356	716,031	-	-	-	-
352,188	224,092	-	-	-	-
381,605	1,163,159	-	-	-	-
6,305,245	6,681,091	-	-	-	-
7,482,083	8,943,944	7,477,987	5,279,283	3,406,577	3,058,341
-	-	16,052,328	20,479,526	28,688,462	38,895,212
-	-	369,311	1,682,678	1,561,760	1,432,574
-	-	-	-	-	-
-	-	-	-	-	-
1,562	12,805	-	-	-	-
363,265	281,278	-	-	-	-
1,729,546	80,317	-	-	-	-
1,014,867	1,075,494	-	-	-	-
20,518	17,751	-	-	-	-
56,776	32,216	-	-	-	-
5,887,781	12,654,001	-	-	-	-
(3,698)	(107,126)	-	-	-	-
9,069,617	14,046,736	16,421,639	22,162,204	30,250,222	40,327,786

CITY OF ROWLETT, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2016	2015	2014	2013
Revenues				
Taxes	$ 34,354,402	$ 31,785,463	$ 29,122,683	$ 28,773,383
Franchise fees	3,150,502	3,352,512	3,131,069	2,991,209
Licenses and permits	2,222,024	2,467,573	1,144,653	807,860
Charges for services	3,007,143	2,784,430	2,612,512	2,644,415
Contributions	-	-	2,112,775	-
Fines and forfeitures	1,050,809	1,172,498	1,514,717	2,158,683
Intergovernmental	2,324,036	2,670,203	2,059,376	6,929,459
Interest	141,019	66,264	57,205	44,492
Miscellaneous	2,556,794	1,256,642	1,591,500	1,423,074
Total revenues	48,806,729	45,555,585	43,346,490	45,772,575
Expenditures				
General government	6,625,996	3,581,688	3,420,425	2,641,269
Public safety	21,328,195	21,164,943	19,719,083	18,619,438
Public works	4,145,778	6,532,713	6,652,769	5,936,101
Culture and recreation	4,717,532	4,619,286	4,413,902	4,282,981
Development	2,154,699	1,584,360	1,227,382	1,128,814
Debt service:				
Principal	7,274,521	6,115,861	6,048,669	6,202,352
Interest	2,640,705	2,400,844	2,408,591	2,834,256
Other charges	187,709	376,743	231,474	-
Capital outlay	6,185,708	9,107,057	3,573,867	9,552,274
Total expenditures	55,260,843	55,483,495	47,696,162	51,197,485
Excess (deficiency) of revenues over (under) expenditures	(6,454,114)	(9,927,910)	(4,349,672)	(5,424,910)
Other Financing Sources/(Uses)				
Capital leases	165,354	2,141,763	1,959,204	1,130,985
Issuance of refunding bonds	-	19,392,950	11,135,000	-
Issuance of bonds	6,990,000	11,302,050	-	-
Premiums on bonds issued	810,957	3,506,264	592,013	-
Discounts on bonds issued	-	-	-	-
Payments to refunding bond escrow agent	-	(22,661,960)	(13,946,658)	-
Proceeds from sale of assets	8,695	669,600	-	-
Transfers in	5,980,852	6,093,515	6,302,791	5,895,107
Transfers out	(2,627,416)	(1,652,507)	(1,936,622)	(2,009,432)
Total other financing sources/(uses)	11,328,442	18,791,675	4,105,728	5,016,660
Net change in fund balances	$ 4,874,328	$ 8,863,765	$ (243,944)	$ (408,250)
Debt service as a percentage of noncapital expenditures	20.2%	20.1%	19.2%	21.7%

Source: City of Rowlett - Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
2012	**2011**	**2010**	**2009**	**2008**	**2007**
$ 28,781,463	$ 30,131,107	$ 30,966,183	$ 30,906,010	$ 31,065,958	$ 30,089,399
3,094,707	3,304,363	3,015,465	2,999,281	3,018,734	3,393,874
687,352	438,334	391,228	499,979	720,779	778,007
2,291,101	2,748,494	2,823,756	2,889,691	2,343,594	2,415,006
-	-	-	-	-	-
1,896,301	2,304,857	2,820,913	2,339,835	2,465,790	2,191,648
6,589,471	2,275,536	1,967,802	381,153	1,270,253	892,635
76,604	165,926	231,809	702,090	1,556,897	3,211,947
1,208,363	790,619	674,907	633,877	992,518	937,824
44,625,362	42,159,236	42,892,063	41,351,916	43,434,523	43,910,340
3,003,607	4,380,262	4,471,479	4,047,850	4,059,446	5,396,190
19,159,506	18,791,928	18,692,849	17,910,586	18,429,503	18,616,295
7,599,093	7,246,641	5,592,114	7,789,807	4,775,269	8,834,282
4,175,458	3,931,809	4,272,737	4,151,303	4,462,616	5,171,047
840,833	672,775	808,218	1,151,720	1,212,987	1,458,834
6,208,605	5,940,534	5,432,452	5,551,999	5,991,212	7,285,049
2,903,106	3,370,147	3,507,444	4,044,879	4,400,172	4,783,411
222,800	-	207,999	-	-	25,000
11,316,999	4,424,499	9,868,151	7,858,484	13,804,949	14,831,198
55,430,007	48,758,595	52,853,443	52,506,628	57,136,154	66,401,306
(10,804,645)	(6,599,359)	(9,961,380)	(11,154,712)	(13,701,631)	(22,490,966)
351,152	1,202,602	987,080	152,925	39,461	-
14,131,149	-	12,000,000	-	-	-
-	-	-	-	-	1,690,000
1,383,000	-	440,175	-	-	-
-	-	-	-	-	-
(15,416,504)	-	(12,455,399)	-	-	-
1,500	-	-	-	-	-
5,729,583	6,446,101	7,595,086	7,271,747	7,157,912	7,499,125
(1,813,215)	(1,958,290)	(2,147,423)	(2,485,272)	(3,225,070)	(4,082,025)
4,366,665	5,690,413	6,419,519	4,939,400	3,972,303	5,107,100
$ (6,437,980)	$ (908,946)	$ (3,541,861)	$ (6,215,312)	$ (9,729,328)	$ (17,383,866)
20.7%	21.0%	20.8%	21.5%	24.0%	23.4%

CITY OF ROWLETT, TEXAS **TABLE 5**

GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE (UNAUDITED)
LAST TEN FISCAL YEARS
(modified accrual basis)

Fiscal Year	Property Tax	Sales Tax	Other	Total
2007	23,739,045	6,230,024	120,330	30,089,399
2008	25,062,391	5,882,323	121,243	31,065,957
2009	25,027,004	5,666,750	110,779	30,804,533
2010	24,639,903	6,228,228	98,052	30,966,183
2011	24,238,832	5,767,527	124,749	30,131,108
2012	23,492,921	4,894,006	103,581	28,490,508
2013	23,274,404	5,386,680	112,300	28,773,384
2014	23,339,695	5,652,848	130,138	29,122,681
2015	25,643,234	5,995,488	146,739	31,785,461
2016	27,473,878	6,705,320	175,204	34,354,402

Source: City of Rowlett - Finance Department

CITY OF ROWLETT, TEXAS **TABLE 6**

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED) LAST TEN FISCAL YEARS

Fiscal Year	Estimated Market Value		Less:	Total Taxable	Total Direct
	Real Property	Personal Property	Tax Exempt Real Property	Assessed Value	Tax Rate
2007	3,328,602,160	155,650,970	342,854,454	3,141,398,676	0.74717
2008	3,505,032,790	165,364,960	361,998,133	3,308,399,617	0.74717
2009	3,562,876,777	178,689,105	373,073,104	3,368,492,778	0.74717
2010	3,522,255,306	177,752,490	414,294,585	3,285,713,211	0.74717
2011	3,447,524,437	174,055,050	401,314,296	3,220,265,191	0.74717
2012	3,407,215,429	171,045,280	406,361,093	3,171,899,616	0.74717
2013	3,373,736,207	176,427,230	425,321,487	3,124,841,950	0.74717
2014	3,383,659,486	176,507,810	443,668,413	3,116,498,883	0.74717
2015	3,565,803,997	185,318,990	465,920,605	3,285,202,382	0.78717
2016	3,846,233,547	185,674,030	444,452,200	3,587,455,377	0.78717

Source: Dallas Central Appraisal District certified totals and Rockwall Central Appraisal District

CITY OF ROWLETT, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
LAST TEN FISCAL YEARS

	City of Rowlett Direct Rates			Overlapping Rates [1]				
				Dallas County Properties				
Fiscal Year	General Fund	Debt Service Fund	Total City	Dallas County	Dallas County Hospital District	Dallas County Community College District	Garland Independent School District	Total Direct & Overlapping Rates
2016	0.57792	0.20925	0.78717	0.25310	0.28600	0.12365	1.35330	2.80322
2015	0.54977	0.23740	0.78717	0.25310	0.28600	0.12478	1.25330	2.70435
2014	0.50477	0.24240	0.74717	0.25310	0.27600	0.12470	1.25330	2.65427
2013	0.49267	0.25450	0.74717	0.25304	0.27100	0.11938	1.25330	2.64389
2012	0.49083	0.25634	0.74717	0.24310	0.02710	0.09967	1.25330	2.37034
2011	0.49467	0.25250	0.74717	0.24310	0.27100	0.09923	1.25330	2.61380
2010	0.50202	0.24515	0.74717	0.22810	0.27400	0.09490	1.25330	2.59747
2009	0.49467	0.25250	0.74717	0.22810	0.25400	0.08940	1.25330	2.57197
2008	0.46617	0.28100	0.74717	0.22810	0.25400	0.08040	1.25330	2.56297
2007	0.47872	0.26845	0.74717	0.21390	0.25400	0.08100	1.54490	2.84097

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Rowlett. A typical property tax bill would consist of the City, School District, and County taxes; residents within the City of Rowlett are divided between Dallas and Rockwall counties.

Source: City of Rowlett - Finance Department / Dallas Central Appraisal District certified totals and Rockwall Central Appraisal District Tax rates are applied on each $100 of assessed value and are levied on 100% of assessed value.

TABLE 7

Rockwall County Properties		
Rockwall County	Rockwall Independent School District	Total Direct & Overlapping Rates
0.395900	1.44000	2.62307
0.395900	1.46000	2.64307
0.395900	1.46000	2.60307
0.386400	1.47000	2.60357
0.386400	1.47000	2.60357
0.386400	1.47000	2.60357
0.375000	1.47000	2.59217
0.375000	1.47000	2.59217
0.350000	1.47000	2.56717
0.350700	1.71000	2.80787

CITY OF ROWLETT, TEXAS **TABLE 8**
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
CURRENT YEAR AND NINE YEARS AGO

	2016		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Lake Pointe Medical Center	$ 34,595,315	1	0.96%
Oncor Electric Delivery	27,292,500	2	0.76%
Wal Mart Stores Inc	23,904,420	3	0.67%
Target Corporation	13,655,310	4	0.38%
Frontier Communications	13,015,770	5	0.36%
Bayside Land Partners LLC	12,115,000	6	0.34%
Horton D R Texas LTD	10,968,520	7	0.31%
Gemini Rowlett Crossing	10,769,920	8	0.30%
Safeway, Inc	10,692,820	9	0.30%
Home Depot USA Inc	10,678,440	10	0.30%
	$ 167,688,015		4.68%

Source: Dallas County Tax Office

	2007		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Lake Pointe Medical Center	$ 29,582,040	1	0.89%
Texas Utilities Electric Co.	28,637,630	2	0.87%
Verizon	20,204,660	3	0.61%
Wal Mart	19,904,570	4	0.60%
Lake Pointe Partners Limited	13,204,880	5	0.40%
Home Depot USA Inc	12,776,090	6	0.39%
Randalls Food and Drug	11,530,440	7	0.35%
Gemini Rowlett Crossing	9,557,570	8	0.29%
Shafer Plaza LX VIII LTD	8,997,170	9	0.27%
Target Corporation	8,379,720	10	0.25%
	$ 162,774,770		4.92%

Source: Dallas County Tax Office

CITY OF ROWLETT, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS

TABLE 9

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
		Amount	Percentage of Levy		Total Tax Collections	Accumulated Delinquent Taxes	Percentage of Levy
2007	23,379,880	22,812,468	97.57%	558,539	23,371,007	8,873	99.96%
2008	24,582,645	24,116,451	98.10%	445,345	24,561,796	20,849	99.92%
2009	25,022,666	24,529,136	98.03%	474,771	25,003,907	18,759	99.93%
2010	24,432,408	23,999,437	98.23%	409,026	24,408,463	23,945	99.90%
2011	23,945,717	23,650,873	98.77%	272,440	23,923,313	22,404	99.91%
2012	23,605,280	23,335,522	98.86%	237,510	23,573,032	32,248	99.86%
2013	23,111,624	22,902,665	99.10%	175,141	23,077,806	33,818	99.85%
2014	23,072,444	22,904,595	99.27%	129,549	23,034,144	38,300	99.83%
2015	25,318,845	25,128,168	99.25%	122,397.82	25,250,565.82	68,279	99.73%
2016	27,332,380	27,062,463	99.01%	-	27,062,463.37	269,916	99.01%

Source: Dallas County Tax Office - jurisdiction reports

CITY OF ROWLETT, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS

	Governmental Activities				
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Capital Leases	Bond Premiums
2007	41,245,000	57,370,000	845,437	1,061,675	-
2008	38,030,000	55,210,000	260,437	1,086,291	-
2009	35,175,000	52,975,000	20,000	1,017,655	-
2010	37,590,000	45,410,000	-	1,797,282	-
2011	33,370,000	43,040,000	-	2,509,351	-
2012	25,642,298	34,010,000	-	2,381,898	1,800,637
2013	22,516,497	31,765,000	-	2,817,990	1,524,918
2014	24,387,041	22,095,000	-	4,063,254	1,797,719
2015	59,613,462	880,000	1,235,000	5,299,215	4,917,122
2016	58,866,953	2,700,000	1,070,000	4,271,557	4,983,517

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Source: City of Rowlett - Finance Department

TABLE 10

Business-Type Activities							
Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Capital Leases	Bond Premiums	Total Primary Government	Percentage of Personal Income	Per Capita
51,035,000	-	4,695,000	4,245,257	-	160,497,369	6.69%	2,912
47,665,000	-	4,535,000	4,014,716	-	150,801,444	5.92%	2,704
44,560,000	-	4,365,000	3,773,272	-	141,885,927	5.96%	2,502
41,340,000	-	4,190,000	3,503,499	-	133,830,781	5.53%	2,375
37,995,000	1,140,000	4,010,000	3,548,806	-	125,613,157	4.75%	2,203
42,628,851	12,013,851	3,820,000	3,459,450	1,664,396	127,421,381	4.59%	2,207
39,121,751	11,841,752	3,620,000	3,487,159	1,413,348	118,108,415	4.09%	2,035
40,266,479	12,186,480	3,410,000	3,236,256	1,494,713	112,936,942	3.87%	1,931
25,330,000	13,926,538	225,000	3,419,277	2,565,541	117,411,155	3.83%	1,957
23,215,000	12,693,047	-	3,721,764	2,134,112	113,655,950	3.58%	1,887

CITY OF ROWLETT, TEXAS TABLE 11
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds and Certificates of Obligations	Less: Amounts in Debt Service Fund	Net	Percentage Taxable Assessed Value [1]	Per Capita [2]
2007	99,460,437	171,096	99,289,341	3.16%	1,801
2008	93,500,437	73,183	93,427,254	2.82%	1,675
2009	88,170,000	114,017	88,055,983	2.61%	1,553
2010	83,000,000	-	83,000,000	2.53%	1,473
2011	77,550,000	11,709	77,538,291	2.41%	1,360
2012	61,452,935	138,242	61,314,693	1.93%	1,062
2013	55,806,415	249,778	55,556,637	1.78%	957
2014	48,279,760	143,808	48,135,952	1.54%	823
2015	66,645,584	768,718	65,876,866	2.01%	1,098
2016	67,620,470	-	67,620,470	1.88%	1,123

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1] See Table 5 for property value data.

[2] See Table 15 for population data.

Source: City of Rowlett - Finance Department

CITY OF ROWLETT, TEXAS TABLE 12
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
SEPTEMBER 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Dallas County Properties:			
Debt repaid with property taxes:			
Dallas County	$ 227,980,000	1.40%	$ 3,191,720
Dallas County Community College District	294,050,000	1.40%	4,116,700
Dallas County Hospital District	718,480,000	1.40%	10,058,720
Dallas County Schools	50,405,000	1.40%	705,670
Garland Independent School District	462,982,866	19.21%	88,939,009
Subtotal, overlapping debt			107,011,819
City of Rowlett, direct debt			71,892,027
Total direct and overlapping debt			$ 178,903,846
Rockwall County Properties:			
Debt repaid with property taxes:			
Rockwall County	$ 110,610,000	5.80%	$ 6,415,380
Rockwall Independent School District	428,976,671	6.60%	28,312,460
Subtotal, overlapping debt			34,727,840
City of Rowlett, direct debt			71,892,027
Total direct and overlapping debt			$ 106,619,867

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Rowlett. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Source: Debt outstanding and estimated percentage applicable for taxing entities other than the City was obtained from the Municipal Advisory Council of Texas.

CITY OF ROWLETT, TEXAS TABLE 13
COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
SEPTEMBER 30, 2016

As a home rule city, the City of Rowlett is not limited by law in the amount of debt it may issue. The City's Charter (Section 6.04) states:

> The City Council shall have the power to levy, for general purposes, an ad valorem tax on real, personal, and mixed property within the territory of the City, not exempt from taxation by the Texas Constitution and the laws of the state, not to exceed a total of one dollar and twenty-five cents ($1.25) per one hundred dollars ($100.00) assessed valuation…

The City Charter (Section 7.01) also states:

> The City shall have the right and power to borrow money for public purposes by whatever method it may deem to be in the public interest. The City shall have the right and power to issue tax bonds, revenue bonds, and any other evidences of indebtedness for permanent public improvements or for any other public purpose not prohibited by law or this Charter…

Article 11, Section 5 of the State of Texas Constitution states in part:

> . . . but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such City…

The tax rate at September 30, 2016, is $ 0.787173 per $100 of assessed valuation, with assessed valuation being 100% of appraised value.

Source: City of Rowlett - Finance Department

CITY OF ROWLETT, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE – WATER & SEWER BONDS (UNAUDITED)
LAST TEN FISCAL YEARS

TABLE 14

Fiscal Year	Water and Sewer Charges and Other [2]	Less: Operating Expenses [3]	Net Available Revenue	Debt Service [1]		Coverage
				Principal	Interest	
2007	19,157,633	11,947,291	7,210,342	2,686,053	1,025,084	1.94
2008	19,754,519	11,762,579	7,991,940	2,648,056	962,571	2.21
2009	20,634,778	11,772,634	8,862,144	2,621,176	899,647	2.52
2010	21,570,878	12,775,053	8,795,825	2,583,750	836,260	2.57
2011	23,579,540	13,423,497	10,156,043	2,713,929	828,115	2.87
2012	22,602,722	15,268,474	7,334,248	1,530,750	421,456	3.76
2013	25,357,867	15,469,264	9,888,603	1,435,789	382,656	5.44
2014	24,921,020	16,921,253	7,999,767	1,404,000	416,408	4.39
2015	26,608,183	17,126,482	9,481,701	1,333,158	348,908	5.64
2016	26,572,514	19,045,209	7,527,305	1,289,722	320,797	4.67

[1] Debt service requirements are the average annual requirements.

[2] Total revenues excluding interest income and including capital recovery fees.

[3] Total expenses excluding depreciation, interest expense, and fiscal charges.

Source: City of Rowlett - Finance Department

CITY OF ROWLETT, TEXAS TABLE 15
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	Population [1]	Personal Income [2]	Per Capita Personal Income [2]	School Enrollment [3]	Unemployment Rate [4]	
					Dallas County	Rowlett
2007	55,123	2,397,574,885	43,495	11,470	4.6%	3.9%
2008	55,770	2,545,733,190	45,647	11,500	4.8%	4.2%
2009	56,716	2,382,525,728	42,008	11,499	7.4%	7.0%
2010	56,354	2,418,319,202	42,913	11,555	8.7%	8.0%
2011	57,015	2,646,237,195	46,413	11,382	8.8%	7.9%
2012	57,727	2,774,879,163	48,069	11,215	7.6%	7.2%
2013	58,043	2,889,612,712	49,784	11,065	6.7%	6.1%
2014	58,476	2,917,250,688	49,888	11,050	5.7%	5.5%
2015	60,002	3,063,162,102	51,051	11,101	4.4%	4.0%
2016	60,236	3,175,581,684	52,719	10,696	4.0%	3.7%

[1] US Census

[2] U.S. Department of Commerce: Bureau of Economic Analysis. Per Capita Personal Income represents the Dallas-Plano-Irving, TX Metropolitan Division. 2007 & 2008 are estimated based on changes in State of Texas personal income.

[3] Texas Education Agency Standard Reports - Enrollment. Totals include only students attending schools within City of Rowlett boundaries.

[4] Texas Workforce Commission (Rowlett specific data is unavailable for years prior to 2005).

Sources: U.S. Cenus, U.S. Department of Commerce, Texas Education Agency, Texas Workforce Commission

CITY OF ROWLETT, TEXAS
PRINCIPAL EMPLOYERS (UNAUDITED)
CURRENT YEAR AND NINE YEARS AGO

TABLE 16

	2016				2007		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employer**	**Employees**	**Rank**	**Percentage of Total City Employment**
Garland ISD (City schools only)	1,004	1	3.25%	Garland ISD (City schools only	1,076	1	18.59%
Baylor Scott & White Medical Cer	789	2	2.56%	Lake Pointe Medical Center	700	2	12.09%
Wal-mart Supercenter	389	3	1.26%	Wal-mart Supercenter	500	3	8.64%
City of Rowlett	380	4	1.23%	City of Rowlett	370	4	6.39%
Senior Care at Lake Pointe	230	5	0.75%	Senior Care at Lake Pointe	190	5	3.28%
Target Corporation	200	6	0.65%	Rowlett Nursing Home	152	6	2.63%
DR Horton	165	7	0.53%	H & S Manufacturing	135	7	2.32%
Walmart Neighborhood Market	90	8	0.29%	Store Décor	126	8	2.18%
H & S Manufacturing	82	9	0.27%	Albertson's Inc.	125	9	2.16%
Tom Thumb	80	10	0.26%	Home Depot	106	10	1.83%
	3,409		11.05%	$	$ 3,480		60.11%

Source: City of Rowlett - Economic Development Department and 2007 CAFR

CITY OF ROWLETT, TEXAS
FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION/FUND (UNAUDITED)
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2016	2015	2014	2013	2012
General government:					
City council	3.50	3.50	3.50	3.50	3.50
City manager	6.00	7.00	5.00	5.00	6.50
City secretary	3.50	3.50	3.50	3.50	2.00
Financial services	24.50	22.50	22.00	20.00	20.00
Information technology	7.00	7.00	5.00	5.00	5.00
Public information office		-	-	-	-
Human resources	5.50	5.50	5.00	3.00	3.00
Buildings and grounds	7.00	7.00	7.00	7.00	7.00
Public safety:					
Police	115.25	114.25	110.00	110.00	110.00
Fire	79.00	78.50	77.00	77.00	78.00
Municipal court	6.00	6.50	7.00	7.00	7.00
Animal services	6.00	5.50	6.00	5.25	5.25
Environmental services	7.00	6.00	6.00	6.00	6.00
Public works:					
Administration and engineering	14.00	11.00	12.25	11.50	11.50
Streets	15.00	13.00	13.00	14.00	14.00
Fleet services	3.00	3.00	3.00	3.00	3.00
Traffic maintenance		-	-	-	-
Water and sewer	24.00	20.00	20.00	19.00	19.00
Drainage	2.00	2.00	2.00	2.00	2.00
Refuse	0.50	0.50	-	-	-
Culture and recreation:					
Parks administration	3.00	3.00	2.00	2.00	2.00
Parks operations	18.00	16.00	12.00	12.00	12.00
Community athletics		-	-	-	-
Community centre	11.30	11.05	10.30	10.30	10.00
Wet zone	20.70	20.70	20.70	20.70	21.00
Urban forestry		-	-	-	-
Library services	15.00	16.00	16.00	17.00	17.00
Development:					
Planning	10.00	9.00	4.25	4.00	4.00
Building inspections	11.00	9.00	2.50	1.00	1.00
GIS	1.00	1.00	1.00	1.00	1.00
Economic development	3.00	2.00	2.00	2.00	2.00
Total	421.75	404.00	378.00	371.75	372.75
Fund					
General	379.75	367.00	341.50	335.25	336.25
Water and sewer	40.00	35.00	34.50	34.50	34.50
Drainage	2.00	2.00	2.00	2.00	2.00
Wet zone	n/a	n/a	n/a	n/a	n/a
Fleet services	n/a	n/a	n/a	n/a	n/a
Information technology	n/a	n/a	n/a	n/a	n/a
Total	421.75	404.00	378.00	371.75	372.75

Source: City of Rowlett - Finance Department Budget Book

TABLE 17

Fiscal Year				
2011	**2010**	**2009**	**2008**	**2007**
3.50	3.50	3.50	3.50	3.50
4.00	4.00	3.00	4.00	5.00
3.00	3.00	3.00	3.00	3.00
20.00	21.00	21.00	22.00	22.50
5.00	5.00	5.00	5.00	7.00
4.00	4.00	5.00	6.00	4.00
3.00	3.00	3.00	3.00	5.00
7.00	7.00	6.00	6.00	7.50
110.50	115.00	115.00	114.00	114.00
76.00	76.00	76.00	77.00	77.00
7.00	7.00	7.50	8.50	9.00
5.00	5.00	5.00	5.00	5.00
6.00	6.00	5.50	5.50	5.00
10.50	7.00	9.00	9.00	11.00
14.00	14.00	14.00	17.00	19.00
3.50	3.50	3.00	3.00	3.00
-	-	-	-	-
20.00	23.50	23.00	23.00	27.00
2.00	2.00	3.00	2.00	2.00
-	-	-	-	-
2.00	2.00	4.00	4.00	3.00
12.00	12.00	11.50	12.00	10.00
-	-	-	-	-
10.00	11.00	9.50	9.00	11.00
21.00	21.00	22.00	22.00	22.00
-	-	-	-	4.00
17.00	17.00	16.50	16.00	15.00
3.25	3.25	5.00	5.00	7.00
2.00	2.00	4.00	4.00	5.00
2.00	2.00	2.00	2.00	3.00
2.00	2.00	2.00	2.00	2.00
375.25	381.75	387.00	392.50	411.50
339.75	346.25	343.00	350.50	362.50
33.50	33.50	33.00	32.00	37.00
2.00	2.00	3.00	2.00	2.00
n/a	n/a	n/a	n/a	n/a
n/a	n/a	3.00	3.00	3.00
n/a	n/a	5.00	5.00	7.00
375.25	381.75	387.00	392.50	411.50

CITY OF ROWLETT, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2016	2015	2014	2013	2012
Public safety:					
Number of police employees	115	111	116	110	110
Number of citations	7,828	11,684	12,657	10,241	10,870
Number of fire employees	79	79	78	77	78
Number of fire calls	2,332	2,520	1,603	1,316	1,245
Number of EMS calls	3,333	3,046	2,900	2,758	2,354
Fire inspections	1,247	916	1,586	622	1,153
Public works:					
Asphalt replaced (tons)	4,894	1,437	11,335	5,136	10,504
Concrete placed (cubic yards)	1,476	926	3,688	387	5,465
Concrete pavement (sq ft)	60,368	857	150,888	141,049	223,551
Culture and recreation:					
Volumes in collection	78,518	88,774	93,061	99,945	93,972
Development:					
Permits issued	285	183	119	78	87
Water and sewer:					
Number of water customers	19,920	19,786	19,201	20,178	19,383
Average daily water consumption	6,622,000	6,409,000	8,444,000	6,505,457	6,959,891
Peak daily water consumption	18,134,000	22,907,000	12,396,000	15,803,000	20,270,000
Number of sewer customers	18,947	18,734	18,657	18,469	18,383
Average daily sewer usage	5,437,100	4,216,000	3,893,000	3,664,614	4,121,000

Source: City of Rowlett Departments

TABLE 18

Fiscal Year				
2011	**2010**	**2009**	**2008**	**2007**
111	115	115	114	114
10,675	20,188	22,587	18,507	19,430
76	76	76	77	77
1,295	1,278	1,160	1,361	1,403
2,384	2,572	2,421	2,496	2,305
1,450	992	1,166	1,365	1,125
6,823	5,562	1,457	3,270	3,034
7,389	8,862	14,313	3,184	200
302,292	359,275	495,007	171,989	7,522
75,103	106,436	100,480	93,451	85,374
27	28	52	97	125
19,311	19,227	19,354	19,006	19,019
7,227,667	6,196,262	6,363,270	7,422,493	5,660,705
22,606,000	17,772,000	16,238,000	17,373,000	13,257,000
18,323	18,304	18,388	18,456	18,002
3,695,811	3,723,123	3,720,899	3,529,445	4,005,619

CITY OF ROWLETT, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (UNAUDITED)
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2016	2015	2014	2013	2012
Public safety:					
Police stations	1	1	1	1	1
Marked police units	39	23	22	24	25
Fire stations	4	4	4	4	4
Public works:					
Miles of streets	551	378	466	466	531
Miles of alleys	105	105	105	105	105
Culture and recreation:					
Parks acreage - developed	608	608	608	620	608
Parks acreage - undeveloped	375	376	376	364	377
Libraries	1	1	1	1	1
Water and sewer:					
Water mains (miles)	262	259	256	225	254
Fire hydrants	3,020	3,003	3,003	2,097	2,093
Sewer mains (miles)	244	244	241	240	239

Source: City of Rowlett departments

TABLE 19

Fiscal Year				
2011	**2010**	**2009**	**2008**	**2007**
1	1	1	1	1
25	25	24	21	16
4	4	4	4	4
530	534	534	534	551
105	105	105	105	105
608	607	607	607	607
377	377	377	376	376
1	1	1	1	1
255	255	253	253	245
1,908	1,876	2,012	1,948	1,911
236	236	235	235	234

Rebuild
Rowlett
Rowlett
TEXAS

SINGLE AUDIT REPORTS

Rebuild
Rowlett
Rowlett
TEXAS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of City Council
City of Rowlett, Texas

Members of the Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rowlett (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 9, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 9, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of City Council
City of Rowlett, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Rowlett's (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 9, 2017

CITY OF ROWLETT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Subrecipients
U.S. Department of Homeland Security				
Passed through the Texas Division of Emergency Management				
2014 Homeland Security Grant Program	97.067	EMW-2014-SS-00029	$ 3,035	$ -
2015 Homeland Security Grant Program	97.067	EMW-2015-SS-00080	4,081	-
2016 FEMA - Tornado Reimbursement	97.036	PA-06-TX-4255	1,733,151	-
Total U.S. Department of Homeland Security			1,740,267	-
U.S. Department of Justice				
Direct programs				
Federal Seizure Forfeitures	16.000	N/A	273,052	-
2015 Bureau of Justice Assistance Bulletproof Vest Partnership	16.607	N/A	12,150	-
Total Direct Programs			285,202	-
Passed through the City of Dallas				
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0016	78,681	-
Total U.S. Department of Justice			363,883	-
U.S. Department of Housing and Urban Development				
Passed through Dallas County				
Community Development Block Grant	14.218	B-14-MC-48-0047	179,349	11,044
Total U.S. Department of Housing and Urban Development			179,349	11,044
Total Expenditures of Federal Awards			$ 2,283,499	$ 11,044

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ROWLETT, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal awards of the City of Rowlett, Texas (the City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the respective schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

3. PASS-THROUGH EXPENDITURES

Of the federal expenditures presented in the schedule, the City provided $11,044 of Community Development Block Grant (CFDA 14.218) awards to subrecipients.

CITY OF ROWLETT, TEXAS
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

I. Summary of the Auditor's Results:

Financial Statements

a. An unmodified opinion was issued on the financial statements.

b. Internal control over financial reporting:

Material weakness(es) identified? ____Yes ___X_No

Significant deficiency(ies) identified that are not considered a material weakness? ____Yes ___X_None reported

c. Noncompliance material to financial statements noted ____Yes ___X_No

Major Programs

d. Internal control over major programs:

Material weakness(es) identified? ____Yes ___X_No

Significant deficiency (ies) identified that are not Considered a material weakness? ____Yes ___X_None reported

e. An unmodified opinion was issued on compliance for major programs.

f. Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a) ____Yes ___X_No

g. Identification of major programs:

97.036 FEMA - Tornado Reimbursement

h. The dollar threshold used to distinguish between Type A and Type B programs. $750,000

i. Auditee qualified as a low risk auditee? ___X_Yes ____No

CITY OF ROWLETT, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

None

III. Findings and Question Costs for Federal Awards

None

IV. Summary of Prior Year Findings

None